

Arizona Corporation Commission

Docket No. E-00000D-07-0376

Decision No. _____

Fifth Biennial Transmission Assessment

2008-2017

SECOND DRAFT

Prepared by Arizona Corporation Commission Staff

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Foreword

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Arizona's Fifth Biennial Transmission Assessment ("BTA") is based upon ten year plans filed with the Commission by parties in January 2008. It also incorporates information and comments provided by participants and attendees in the BTA workshops and report review process. The ACC Staff and KRSA are appreciative of the contributions, cooperation and support of industry participants throughout Arizona's Fifth Biennial Transmission Assessment process.

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Any recommendations, opinions or findings stated in this report are based on circumstances and facts as they existed at the time the assessment was performed. Any changes in such circumstances and facts upon which this report is based may adversely affect any recommendations, opinions or findings contained herein. No part of this report may be modified or deleted to change the content or context, without the express written permission of the Arizona Corporation Commission and KRSA.

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EXECUTIVE SUMMARY

The Arizona Corporation Commission (“ACC” or “Commission”) biennially reviews ten year plans filed by parties intending to construct transmission lines, and issues a written decision regarding the adequacy of the existing and planned transmission facilities to reliably meet the present and future needs of the state.¹ Staff of the Utilities Division of the Commission (“Staff”), with the assistance of the consulting firm of KR Saline & Associates, (“KRSA”) reviewed and analyzed the ten year plans and related filings, conducted workshops for stakeholder input, and drafted this Fifth Biennial Transmission Assessment (“BTA”). Staff and KRSA did not perform any technical studies during this process, but relied upon studies prepared by others. Staff and KRSA used an open, transparent and collaborative process to obtain utility and stakeholder input, and engagement.

Staff and KRSA reviewed all ten year plans and filings submitted to Docket No. E-00000D-07-0376. The filings included technical studies previously ordered by the Commission; transmission load serving capability of local load pockets, Reliability Must Run (“RMR”) studies, N-1, N-1-1, and extreme contingency studies and an assessment of transmission capacity needed and available to accommodate renewable energy development in Arizona. All entities which made presentations at the first workshop were asked to file the presentations in the docket. Staff and KRSA reviewed these presentations and the transcript of the first and second workshops. The presentations were of high quality and very useful for Staff and KRSA. Two drafts of this Fifth BTA were prepared by Staff and KRSA and made available for industry and stakeholder comments. The collaborative local, subregional and regional transmission planning processes used by individual utilities have resulted in transmission plans which are supported by more detailed technical studies and access to more information than was previously available in previous BTAs.

This assessment does not establish Commission policy nor does it evaluate individual transmission providers’ plans. This BTA assesses the adequacy of Arizona’s transmission system to reliably meet the existing and planned energy needs of the state. This BTA is not final unless and until approved by a written decision of the Commission. Staff addressed four fundamental public policy questions during the course of this BTA:

- Does the planned transmission meet the load serving needs of the state during the 2008-2017 timeframe in a reliable manner?

¹ Arizona Revised Statute §40-360.02

- Do the Commission ordered RMR, N-1, N-1-1, Extreme Contingency, and Renewable Energy Transmission Assessment studies comply with, and sufficiently meet, the intended goals of the Commission's orders?
- Did the transmission planning efforts effectively address concerns raised in previous BTAs about the adequacy of the state's transmission system to reliably support the competitive wholesale market in Arizona?
- Did the plans and planning activities comport with transmission planning principles and good utility practices accepted by the power industry and the reliability planning standards established by NERC and WECC?

General Conclusions

Staff offers the following general 2008 BTA conclusions for Commission consideration. More detailed conclusions and the analysis supporting them are provided in section 5 of this report:

1. The current electric utility system in Arizona is adequate and, based upon the assumptions contained herein, should meet the energy needs of the state in 2008 with reliable service.
2. The existing and planned transmission systems serving the Phoenix, Tucson, and Yuma areas are adequate and should reliably meet the local energy needs of the respective areas through 2017.
3. Pinal County is capable of serving 200 to 600 MW of load growth beyond that forecast for 2016. The quantity of load growth that can be accommodated beyond 2016 depends upon whether WAPA's local 115 kV lines are upgraded to 230 kV. It would be helpful for future studies of this area to establish simultaneous import limits ("SIL"), maximum load serving capability ("MLSC") and reliability must run ("RMR") indicators as defined by the Commission.
4. The adequacy level of the Mohave County system is unclear due to controverted conclusions reached in publicly available study reports. It would be helpful for future studies of this area to establish simultaneous import limits ("SIL"), maximum load serving capability ("MLSC") and reliability must run ("RMR") indicators as defined by the Commission.
5. Santa Cruz County and Cochise County are served by radial transmission lines. Growing numbers of customers are, therefore, exposed to extended service interruptions following the loss of a single

transmission line in these two counties. The ability of these two areas to restore service to customers within a reasonable period of time following a transmission line outage has been a long standing concern of the Commission. System improvements that assure “continuity of service” for loss of a single transmission line is a public policy that needs to be adopted to replace the “restoration of service” practice present in these two counties.

6. All Commission required studies have been filed. APS and TEP filed RMR studies. Salt River Project (“SRP”) filed Southwest Area Transmission Study Group (“SWAT”) studies that address Ten Year Snap Shot Studies, N-1-1 contingencies and extreme contingency studies performed by the CATS–EHV study group, and the CATS–HV Study of Pinal County. SRP also filed a SWAT Renewable Transmission Task Force Report. A supplemental report regarding the renewable task force efforts was filed by Arizona Public Service Company ² in the Docket on August 6, 2008. Southwest Transmission Cooperative Inc. (“SWTC”) and TEP have also responded to the requirement that they file transmission plans and analysis addressing specific deficiencies in the 4th BTA.
 - a. In general the RMR studies show that each RMR area will have sufficient maximum load serving capability to reliably serve the respective area’s load during the next ten year period. The RMR studies also indicate local RMR generation will not be dispatched out of merit order for significant hours or yield RMR costs sufficient to warrant advancing transmission improvements. Future RMR studies for Mohave County need to establish SIL, MLSC, and RMR indicators that comport with the Commission’s RMR Study Methodology.
 - b. The Ten Year Snap Shot, N-1-1, and Extreme Contingency Studies performed by industry representatives were thorough and well documented, and indicated that the ten year plan is sufficiently robust to provide adequate and reliable service to Arizona.
 - c. The industry’s Renewable Transmission Task Force response comports with the Commission’s Order. The SWAT report and its supplement report document Available Transfer Capacity (“ATC”) data gathered for each utility in Arizona, develops a renewable resource map displaying areas where renewable resource development could potentially occur, and provides a map depicting new transmission lines that conceptually might be needed to transport energy from the potential renewable resources to the major load pockets in Arizona.

² “On behalf of Arizona Transmission Providers: Arizona Public Service Company, Salt River Project, Tucson Electric Power Company, and Southwest Transmission Cooperative, Inc.”

- d. The 2008 TEP RMR Study indicates that even though a Static Var Compensator was installed at Northeast Loop Substation and the Westwing to South 500 kV line was interconnected at Pinal West, the 1,950 MW 2008 SIL is still limited by voltage instability for loss of both Saguaro to Tortolita 500 kV lines.
 - e. SWTC did file a ten year plan that resolved contingency violations that occurred for loss of the Apache to Butterfield 230 kV line, the Butterfield to San Rafael 230 kV line, or the Pantano to Kartchner 115 kV line in its 2015 planning study.
7. Studies indicate that the existing and planned Arizona EHV system is adequate to support a robust wholesale market. Six major EHV transmission projects with the potential to improve interstate commerce have been proposed and are accompanied by upgrades to existing EHV facilities that will also enhance increased interstate power transfers and reliable service within the state.
8. Arizona Transmission Providers are engaged in and provide leadership to subregional planning processes. The BTA would not be possible without access to their subregional planning reports and studies. The Federal Energy Regulatory Commission Order 890 requires that individual transmission providers plan their local system via open and transparent processes. New local transmission improvements (115 kV through 230 kV) are now being planned collaboratively in such forums.

Recommendations

Staff offers the following recommendations for Commission consideration and action:

1. It is recommended that the Commission approve the following proactive steps to foster refinements and improvements in subregional transmission planning forums needed and used for future BTAs:
 - a. Arizona transmission providers are to explore formation of subregional planning forums that assume the responsibility of addressing the local HV transmission import and RMR conditions in Mohave County and Yuma County. These planning forums need to offer a system perspective for all transmission providers and load serving entities interconnected within a local geographic area. Such study forums need to be compatible with and supportive of FERC Order 890 local transmission provider planning obligations.
 - b. APS is to file a Yuma RMR study with the next BTA that incorporates the plans of all entities proposing to interconnect and do business in Yuma County.

- c. UNSE and Mohave Electric Cooperative are to file a Mohave County RMR Study with the next BTA that includes the impacts, influences, and system performance of all proposed local and EHV transmission improvements and potential generation and transmission interconnections occurring in the area.
2. It is recommended that the SWAT Renewable Transmission Task Force transmission study report and the WestConnect Long Range Planning Study report be filed with the Commission within 30 days of completion to supplement the renewable transmission assessments filed with this BTA.
3. Staff recommends that the Commission order the following action to resolve concerns unresolved by this BTA:
 - a. The SATS long range study is envisioned to be completed in 2008. This study is predominantly shaping the ten year plans filed with the Commission for SWTC and TEP. Therefore, a final report is to be filed by TEP on behalf of all SATS participants by January 2009.
 - b. TEP and SWTC are to resolve all “to be determined” (TBD) in-service dates for facilities envisioned to be constructed within the next ten years. The ten year plans filed by TEP and SWTC in January 2009 are to incorporate such resolved in-service dates. Plans that fall beyond the ten year horizon may be included in subsequent ten year plan filings but need to be identified as not occurring within the ten year horizon if a TBD date designation is used.
 - c. UNSE is to perform studies and file a report of those studies for the next BTA that establishes a long range system plan for Santa Cruz County that is founded on the principle of continuity of service following a transmission line outage. Elements of that plan are to be incorporated in the UNSE ten year plans with a defined in-service date and filed with the Commission in January 2009.
 - d. APS, SSVEC, and TEP are to perform collaborative studies and file a report of those studies for the next BTA that establishes a long range system plan for Cochise County that is founded on the principle of continuity of service following a transmission line outage. Relevant elements of that plan are to be incorporated in each party’s respective ten year plans with a defined in-service date and filed with the Commission in January 2010.

1. OVERVIEW

1.1 Assessment Authority

Arizona statutes require every entity considering construction of any transmission line equal to or greater than 115 kV within Arizona during the next ten year period to file a ten year plan with the Arizona Corporation Commission (“ACC” or “Commission”) on or before January 31 of each year³. Every entity considering construction of a new power plant of 100 Megawatts (“MW”) or greater within Arizona is required to file a plan with the Commission 90 days before filing an application for a Certificate of Environmental Compatibility (“CEC”).⁴ All such plans filed with the Commission must include power flow and stability analysis reports showing the effect of the planned facilities on the current (and future) Arizona electric transmission system.⁵ The Commission is required to biennially examine the plans and “issue a written decision regarding the adequacy of the existing and planned transmission facilities in Arizona to meet the present and future energy needs of the state in a reliable manner”.⁶

1.2 Fifth Biennial Assessment – Purpose and Framework

The purpose of this report is to inform the Commission of currently planned transmission facilities and offer an assessment of the adequacy of the existing and planned Arizona electrical transmission system. Staff’s Fifth Biennial Transmission Assessment (“BTA”) evaluates the ten year transmission plans filed with the Commission in January 2008⁷. This report fulfills the statutory obligation to review these transmission plans and assess whether the Arizona transmission system is adequate.

The Commission ordered that supplemental study work also be performed by the industry as a portion of this fifth BTA.⁸ These include Reliability Must Run (“RMR”), N-1-1 and extreme contingency studies required from prior ACC Biennial Transmission Assessments. The Commission also required an assessment of transmission capacity available or required for renewable energy development in Arizona.

³ Arizona Revised Statute § 40-360.02.A

⁴ Arizona Revised Statute § 40-360.02.B

⁵ Arizona Revised Statute § 40-360.02.C.7

⁶ Arizona Revised Statute § 40-360.02.G

⁷ Docket No. E-00000D-07-0376

⁸ Decision No. 69389, Docket No. E-00000D-05-0040

This report examines the transmission plan adjustments made by the industry to address the concerns identified by Staff in the first four BTAs and the Commission ordered studies.⁹

In the Arizona BTA process, entities conduct their own technical studies, participate in collaborative and open regional planning processes, and present the study results in their ten year plan reports and at public workshops. Staff relies on the technical reports and documents filed with the Commission and other publicly available industry reports rather than performing independent technical study work. Staff continues to use a set of guiding principles to aid it in determining the adequacy and reliability of both transmission and generation systems.¹⁰ Staff's guiding principles are based upon best engineering practices established in Arizona coupled with the use of Western Electricity Coordinating Council ("WECC") and North American Electricity Reliability Corporation ("NERC") planning standards.¹¹

Staff retained K.R. Saline and Associates, PLC ("KRSA") to assist them with the Fifth BTA. Staff and KRSA critically reviewed and analyzed the assembled transmission planning reports and the filed ten year plans and addressed the following four key public policy questions:

1. Do the proposed Arizona transmission system plans meet the load-serving requirements of the state during the 2008-2017 timeframe in a reliable manner?
2. Are the required Reliability Must Run, N-1-1, Extreme Contingency, and Renewable Energy Transmission Assessment studies compliant with, and sufficiently meet, the intended goals of the Commission's orders?
3. Were steps taken in the most recent transmission planning studies to effectively address concerns raised in previous BTAs about the adequacy of the state's transmission system to reliably support the competitive wholesale market in Arizona?
4. Do the processes utilized comport with transmission planning principles and good utility practices accepted by the power industry and the reliability planning standards established by NERC and WECC?

⁹ History of Commission Ordered Studies, Appendix B.

¹⁰ Guiding Principles for ACC Staff Determination of Electric System Adequacy and Reliability: Appendix A Arizona's Best Engineering Practices, Jerry D. Smith, ACC, pre-filed comments for the Gila Bend Power Plant Hearing, Docket No. E-00000V-00-0106, November 9, 2000

¹¹ Reliability Criteria, Revised April 2005, "NERC/WECC Planning Standards" Section - Revised April 10, 2003, <http://www.wecc.biz/documents/library/procedures/CriteriaMaster.pdf>

1.3 Assessment Process

A three-stage process was used to prepare the fifth BTA report. The first stage consisted of a workshop which offered participants an opportunity to make presentations supplementing the ten year plan filings. During the second stage, Staff and KRSA prepared and distributed a draft report for public comment. This draft was posted on the Commission website. A second draft of the report was prepared and posted on the website in response to the public comments received. The third stage of the process consisted of a second workshop for Staff and KRSA to present and facilitate discussion of the final draft of the report. A summary of each stage of the BTA process is described in the following sections.

1.3.1 Workshop I: Industry Presentations

KRSA assisted Staff in arranging a two-day public Workshop on May 22-23, 2008 at the Industrial Commission's auditorium in Phoenix, Arizona. A complete listing of the Workshop I attendees and presenters is in Appendix E. Transmission Providers and Subregional Planning Groups presented information regarding their respective transmission expansion plans and related planning activities. Merchant transmission and generation developers reported on their respective development plans.

The Workshop provided an informal setting to promote effective discussion of all presentations.¹² Each presenter was provided a set of advance questions outlined in Appendix D. Each presentation was followed by an open period of discussion including questions and comments from the audience. Staff and KRSA concluded the session with general comments and observations and noted the following action items:

1. All parties making presentations were requested to file a paper copy of their presentations in Docket Control.
2. Southern California Edison ("SCE") agreed to file all reports referenced in their presentation that had not been previously filed in Docket Control.
3. Salt River Project ("SRP") agreed to file a summary of the extra high voltage ("EHV") transmission upgrades that have been and are occurring in Arizona as it relates to transmission

¹² The Workshop I agenda and presentation materials are located at <http://www.cc.state.az.us/divisions/utilities/electric/biennial.asp>

path rating increases. That summary is to reference the WECC reports supporting those new ratings.

4. Western Area Power Administration (“WAPA” or “Western”) agreed to provide a letter in response to two questions posed regarding their transmission plan:
 - a. The “Central Arizona Transmission Study (“CATS”) EHV Ten Year Snapshot and N-1-1” presentation indicates that the “N-1 contingencies overload conditions associated with WAPA’s transmission elements were not resolved.” The question posed was – “were Western’s planned upgrade of 115 kV lines to 230 kV modeled as 230 kV lines in the 2016 case and if not would doing so have resolved the overloads?” The context of this question relates both to the WAPA system in Pinal County and along the Colorado River.
 - b. The status and modeling of the San Luis Rio Colorado generation project and North Branch 230 kV lines were questioned during the Yuma RMR study presentation. Arizona Public Service (“APS”) confirmed the projects were modeled in the study. The projects are not reflected in WAPA’s ten year plan provided to the Commission. What is the current status of these projects?
5. APS agreed to file a supplement or update to the “2007 Southwest Area Transmission (“SWAT”) Renewable Energy Transmission Task Force Report” that encompasses and documents the detail and breadth of information contained in the Workshop I presentation.
6. APS agreed to file before the second BTA Workshop an explanation of what has been done to address California’s Market Redesign and Technology Upgrade (“MRTU”) tariff impact on transmission seams issues with neighboring states.

1.3.2 Preparation of Draft Report and Industry Comment

Staff and KRSA provided an initial draft of the 2008 BTA report for industry review and comment in July 2008. The first draft report was based on the filed ten year plans and information gathered at Workshop I.¹³ The draft report was placed on the Commission’s website and distributed via industry

¹³ Transcripts of May 22-23, 2008 Workshop I are available at the ACC Docket Control

distribution lists to expedite the review process. Industry comments were collected and docketed for other parties review, comment and response during the three week review timeframe. A second draft of the report was then prepared by Staff and KRSA in response to received comments. The second draft of the report was the subject of Workshop II.

1.3.3 Workshop II: Staff/KRSA Presentation of Final Report

The second 2008 BTA Workshop was held at the Industrial Commission's auditorium on September 18, 2008. The purpose of this second workshop was to present the final draft of the Fifth BTA. Questions, comments and clarification resulting from this workshop were incorporated in the final report for presentation to the Arizona Corporation Commission.

Specifically addressed were items relating to

[Complete after second workshop]

2. TEN YEAR PLANS

The entities listed in Table 1 filed ten year transmission plans with the Commission in January 2008. The ten year plans for proposed power plants and their associated transmission lines must be filed annually after the initial filing occurs 90 days in advance of the date an application for a Certificate of Environmental Compatibility ("CEC") is filed with the Commission. This assessment examines the aggregate of these ten year plans.

Table 1 List of Parties Filing Ten Year Plans -January 2008

Arizona Public Service Company	Southwest Transmission Cooperative
Gila Bend Power Partners	Southwestern Power Group
Dynegy	Salt River Project
El Paso Electric Company	Tucson Electric Power
Public Service Company of New Mexico	UniSource Electric
Santa Cruz Water and Power Districts	Wellton-Mohawk Irrigation & Drainage District
Southern California Edison	Western Area Power Administration (DSW) ¹⁴

Individual utilities within the state of Arizona plan and design their bulk transmission systems in accordance with the NERC/WECC regional Reliability Standards for System Planning and WECC Minimum Operating Reliability Criteria, guidelines established at the state level, and their own internal planning criteria, guidelines and methods. These planning practices are utilized to ensure that their respective systems are planned to provide reliable service to customers under various system conditions. These requirements are also intended to ensure that neighboring utilities and neighboring states plan their systems in a coordinated manner by following a consistent set of standards, criteria and guidelines.

Workshop I also included presentations regarding projects for which no ten year plan was filed. These include; High Plains Express Initiative, Diné Power Authority's Navajo Transmission Project and Central Arizona Water Conservation District's ("CAWCD") Harcuvar Project. While these projects are described in this report they were not considered as elements of the ten year plans for which this BTA makes an adequacy determination.

¹⁴ The WAPA plan was not formally filed but a courtesy copy was provided by a transmittal letter

2.1 Summary of Arizona Plan

The BTA examines the aggregation of all of the filed and proposed projects as a coordinated transmission system expansion plan for Arizona. Therefore, this report presents the filed transmission projects from a system perspective without regard to sponsorship or ownership. Projects that have not been filed are not included in this adequacy analysis for the BTA. However, they are depicted with all other projects on maps provided as Exhibits 1-6. These projects are also depicted as an integral part of an online map of the 2007 WestConnect Ten Year Plan.¹⁵ Maps and a tabular listing of each filing entity's projects are located in accordance with Table 2 below.

Table 2 Location of Each Entities Ten Year Plan Summary

Entity	Reference Location
Arizona Public Service	Exhibit 22
Gila Bend Power Partners	Exhibit 25
Dynegy	Exhibit 23
El Paso Electric	Exhibit 24
Public Service of New Mexico	Exhibit 26
Santa Cruz Water and Power Districts	Exhibit 28
Southern California Edison	Exhibit 29
Southwest Transmission Cooperative	Exhibit 31
Southwestern Power Group	Exhibit 30
Salt River Project	Exhibit 27
Tucson Electric Power	Exhibit 32
UniSource Electric	Exhibit 33
Wellton-Mohawk Irrigation and Drainage District	Exhibit 34

The ten year plan projects are also listed in tabular form in Exhibits 20-21 and have been sorted by in-service date and voltage class. Table 3 depicts the number of new transmission projects and associated mileage for each year of the ten year plans. Projects with a to-be-determined ("TBD") in-service date or that are beyond the Ten Year Plan timeframe have been grouped together as a single category. Phased projects with differing in-service dates for the respective phases were tabulated as separate projects. Table 4 depicts the number of Arizona Plan projects by voltage class. Table 4 depicts projects with multiple voltage class lines or for which the voltage class has not been resolved are reported at the highest voltage class identified for the project.

¹⁵ WestConnect website, http://westconnect.com/planningmap_sm.php

Table 3 Summary of Plan by In-Service Date

In-Service Date	Number of Projects	Mileage
2008	7	131
2009	8	21
2010	16	239
2011	11	393
2012	9	137
2013	12	689
2014	2	60
2015	0	0
2016	2	20
2017	1	4
Subtotal	68	1,694
Post 2017 (TBD)	61	1,296
Total	129	2,990

Table 4 Summary of Plan by Voltage Class

Voltage Class	Number of Projects		Mileage
	2008 to 2017	Post 2017 (TBD)	
500 kV	12	6	1,324
345 kV	6	12	578
230 kV	15	25	536
138 kV	23	17	488
115 kV	12	1	64
Total	68	61	2,990

The Ten Year Plans include a significant number of 500 kV projects. Most of the 500 kV total transmission miles are attributable to four transmission projects: Palo Verde-Devers #2, SunZia, Palo Verde-North Gila #2 and Palo Verde-Saguaro projects which account for 970 of the 1,324 of the 500 kV miles displayed in the chart above. The large number of 138 kV and 230 kV projects is an indicator of local utility's need to access the planned 345 kV and 500 kV available transmission capacities for local load serving purposes.

The Ten Year Plans of the 14 filing entities consist of 68 transmission projects of approximately 1,694 miles in length. An additional 8 projects are beyond the ten year horizon and the in-service dates of 53 projects are yet to be determined. There are few projects filed with an in-service date in the 2014-2017 timeframe. This phenomenon is somewhat typical in transmission planning in that years 6-10 are often not studied except in a tenth year case and as a result do not get the staging scrutiny of the first 5 years of the plan. There is a significant increase in the number of 115 kV, 138, kV and 345 kV projects in Table 4 over what was identified in the 2006 BTA. This increase is largely attributable to the planning work performed by the Southeast Arizona Transmission Study ("SATS") group over the past two years.

2.2 Plan Changes from Fourth BTA

Transmission plans inevitably evolve over time and are in a constant state of flux. Significant changes can occur as a result of regulatory changes, siting and permitting challenges, shifts in load forecasts, identification of new generating plants, interconnection requests, and changes in the economic or financial climate faced by the utility.

Some previously planned projects have actually been constructed while others have been eliminated from consideration. The in-service date of some projects has changed and new projects have been added. Some projects or proposed substations have undergone a name change since the last BTA. Such a change makes it difficult to track projects through a cyclical process such as the BTA. Therefore, a table of name changes is provided below in Table 5. Table 6 summarizes 500 kV and 345 kV project changes since the last BTA. A more detailed listing of all other changes from the 2006 BTA is provided in Exhibit 18.

Table 5 – Project Name Changes or Aliases

Current Name	Formerly Known As
Delany	Harquahala Junction
Sun Valley	TS5
Pinal Central	Pinal South
Dinosaur	RS19
Trilby Wash	TS1
Second Knoll	Sugarloaf
Abel	Southeast Valley (SEV)

Table 6 – Significant Project Changes between Fourth and Fifth BTA

In-Service Date	Project	Voltage Class	Status
2010	PV Hub-Sun Valley 500kV	500 kV	Changed In-Service date from 2009 to 2010
2011	Pinal Central-Tortolita Substation	500 kV	New Project - 2011
2011	Pinal West-Abel/Browning	500 kV	New Project - 2011
2011	Palo Verde-Devers #2	500 kV	Changed In-Service date from 2009 to 2011
2012	Series Capacitor Upgrade Project - Moenkopi-Eldorado 500kV	500 kV	Changed In-Service date from 2010 to 2012
2013	SunZia Project	500 kV	New Project - 2013
2010	Flagstaff 345/69kV interconnection	345/69 kV	Changed In-Service date from 2009 to 2010
2014	Tortolita-Vail (thru North and East Loop)	345 kV	New Project - 2014

2.3 2008 Summer Preparedness

The *Summer 2008 Energy Preparedness* Open Meeting occurred on March 22, 2008, at the Arizona Corporation Commission offices. The Energy Preparedness meeting is an open meeting where electric utilities inform the Commission of their level of preparedness to deal with the ensuing summer peak season. The 2008 summer preparedness meeting included presentations by APS, SRP and TEP, and was followed by public comment. APS, SRP and TEP each indicated preparedness for the 2008 summer peak demand. This preparedness included a declaration of adequate generation and reserves and sufficient transmission capacity to withstand normal outage contingencies. Emergency plans are also in place to respond to extreme outage events, system conditions and events of nature such as storms or fires.

Staff and KRSA were in attendance at the Summer Preparedness open meeting and heard the three utilities presentations to the Commission. APS indicated it is well prepared for the up-coming 2008 summer demand. APS stated adequate generation resources are in place to meet customer load and meet reserve requirements, transmission capacity is in place to import remote generation and purchases, distribution infrastructure improvements are on schedule to meet customer loads and emergency action plans are in place to respond to extreme conditions.¹⁶ SRP indicated that SRP transmission, distribution, generation and planned energy purchases are adequate to serve the forecasted year 2008 demand and that contingency plans are in place to handle emergency events.¹⁷ TEP summarized its presentation noting that sufficient generation resources are available to meet both TEP's and UNSE's load. TEP stated that sufficient transmission is available to import remote generation and resources for TEP and UNSE Mohave and Santa Cruz and that plans are in place for UNSE to respond to extreme conditions.¹⁸

The 2008 level of preparedness of the three major utilities in Arizona appears to be high and above the norm. None of the concerns that have existed in prior summer preparedness open meetings over the past decade were present in 2008. The current electric utility system in Arizona is judged to be adequate

¹⁶ APS, *Arizona Public Service Company 2008 Summer Assessment*, given on March 19, 2008, slide 42, http://www.azcc.gov/Divisions/Utilities/Electric/summer_preparedness/APS%202008%20Summer%20Assessment%203-20-08.ppt

¹⁷ SRP, *Summer Preparedness 2008* Presentation, given on March 19, 2008, slide 13, http://www.azcc.gov/Divisions/Utilities/Electric/summer_preparedness/SRP%20Summer%20Preparedness%202008%203-19-08%20-%20Final.pdf

¹⁸ TEP, *2008 ACC Summer Preparedness Hearing*, given on March 19, 2008, slide 18, http://www.azcc.gov/Divisions/Utilities/Electric/summer_preparedness/TEP-UNSE%202008%20Summer%20Preparedness%203-19-08.ppt

to meet the energy needs of the state in 2008 with reliable service. However, the summer preparedness of Arizona Electric Power Cooperative (“AEPCO”) and its affiliate Southwest Transmission Cooperative (“SWTC”) was not addressed in the 2008 Summer Preparedness Open Meeting. It may be appropriate to include AEPCO and SWTC in future summer preparedness assessments given the number of Arizona distribution cooperative customers served by these entities.

2.4 Interstate, Market, Merchant, and Generation Transmission Projects

In the Western Interconnection interstate transmission is essential to enabling a state’s utilities access to the wholesale market for purchases and sales. Interstate and market driven transmission projects facilitate a more robust and viable wholesale market. Interstate and merchant transmissions projects complement the states’ utilities electric infrastructure and allow for additional import/export points. Several market access projects and merchant transmission projects are discussed in this BTA. Such projects are essential for local load serving entities and new merchant power plants. These projects permit access to the wholesale market without reliance on transmission services over existing transmission providers’ systems which may have limited long term available transmission capacity. This section of the BTA report highlights the status of ten such planned projects that affect Arizona.

2.4.1 Navajo Transmission Project

The Navajo Transmission Project (“NTP”) is a merchant 500 kV transmission line project with an approximate total length of 478 miles. The line will extend from a new substation located near the Four Corners Power Plant in northwestern New Mexico to the Marketplace Substation south of Boulder City, Nevada. A new Desert Rock power plant will interconnect to the line in New Mexico near Four Corners. The NTP will be constructed in three segments which traverse Arizona.

- Segment 1 – 198 mile 500 kV single circuit transmission line from Desert Rock Generating Facility in northwestern New Mexico to the proposed Red Mesa West Substation in northern Arizona. The WECC path rating process began in January 2006 for Segment 1 of NTP. Segment 1 will begin construction in 2009 and the planned in-service date for Segment 1 is the fourth quarter of 2011.
- Segment 2 – 62 mile 500 kV single circuit transmission line from a new Red Mesa West substation to the existing Moenkopi Substation. This segment generally parallels an existing Glen Canyon to Flagstaff 345 kV transmission line corridor. No schedule date has been determined.

- Segment 3 – 218 mile 500 kV single circuit transmission line from the existing Moenkopi Substation to the existing Marketplace Substation. Segment 3 generally parallels an existing Moenkopi to El Dorado 500 kV transmission line. No schedule date has been determined.

No ten year plan was filed for this project. Therefore, this project was not considered as the adequacy analysis and ten year plan statistics were compiled for this BTA. However, an update of this project was provided at the May 22, 2008 BTA Workshop I. This project has been complying with the WECC regional project planning and path rating process requirements. An overview map showing the general routing of each segment is included as Exhibit 9.

2.4.2 Palo Verde to Devers No. 2 500 kV Transmission Line

The Palo Verde to Devers No. 2 (“PVD2”) 500 kV Project¹⁹ is a SCE sponsored interstate transmission project. An overview map showing the general routing of the PVD2 transmission line is included as Exhibit 10. This project consists of two major transmission line segments:

1. **Delany to Devers:** - A new 500 kV transmission line between Arizona and California. Delany Substation was previously known as Harquahala Junction. This segment is approximately 230 miles long. Approximately 102 miles is in Arizona and the remaining 128 miles are located in California. The planned transmission line routing parallels the existing Palo Verde to Devers 500 kV transmission line.
2. **Devers to Valley No. 2:** - A new 500 kV transmission line connecting SCE’s Devers and Valley Substations (all in California). This segment is approximately 41.6 miles long. The planned transmission line routing parallels the existing Devers to Valley 500 kV transmission line.

On June 6, 2007, the Arizona Corporation Commission denied SCE’s application for a CEC for the PVD2 transmission line²⁰. SCE states its first priority and preference is to gain regulatory approval for the proposed transmission project from the ACC. SCE filed a new ten year plan with the ACC in January 2008. In support of a new CEC filing, SCE is working with stakeholders, regional utilities and planning groups in Arizona to develop a mutually acceptable alternative plan to present to the ACC for approval of the project. SCE is working with Arizona stakeholders to reconfigure PVD2 to provide tangible Arizona benefits. SCE is performing new technical studies in the SWAT/Colorado River Transmission (“CRT”)

¹⁹ ACC Docket No. [L-00000A-0295-00130](#)

²⁰ ACC Decision No. 69638

forum to consider interconnection of a western Arizona substation to integrate renewables and connect with Central Arizona Project pump load. Feasibility studies have been completed and are described in the Harcuvar Project Section of this report. Steps are now being taken to determine Arizona benefits associated with the western Arizona interconnection with the PVD2 project.

SCE is simultaneously pursuing a second approach to secure regulatory approval. On May 16, 2008, it filed a pre-filing application with Federal Energy Regulatory Commission ("FERC") under Section 50.6 - Transmission Line Siting process. This filing triggers a project-wide National Environmental Policy Act ("NEPA") review, preparation of a preliminary draft Environmental Impact Study ("EIS"), and a public notice process along the entire right-of-way. Open house meetings concerning the revised scope of the project commenced in Arizona in June 2008. The Arizona Corporation Commission has responded to this FERC filing.²¹

2.4.3 Harcuvar Project

Harcuvar is a proposed 230 kV transmission project located approximately 60 Miles west of the Palo Verde Hub and is sponsored by Central Arizona Water Conservation District ("CAWCD"). No ten year plan has been filed with the Commission for this project. Therefore, this project was not considered as the adequacy analysis and ten year plan statistics were compiled for this BTA. This project was presented and discussed at the May 22, 2008 BTA Workshop. An overview map showing the general routing and interconnection points of this project are included as Exhibit 11.

The proposed project is a result of the Central Arizona Project's ("CAP") desire to improve its system reliability and SCE's desire to construct the PVD2 transmission line. The project could provide access to Arizona renewable generation as well as transmission access to the Palo Verde Hub and to California. The Harcuvar Project is planning an open season to solicit project participants interested in renewable and fossil fuel generation interconnection.

Studies for this project are being managed by the CRT subregional planning study group. Feasibility study work for this project has been completed with a number of study scenarios based upon a power flow case approved by nine CRT study team participants. The results are outlined in the Harcuvar

²¹ <http://elibrary.ferc.gov/idmws/nvcommon/NVViewer.asp?Doc=11687511:0> and <http://elibrary.ferc.gov/idmws/nvcommon/NVViewer.asp?Doc=11709962:0>

presentation²² for BTA Workshop I. A report detailing the study results will be prepared by the CRT study team in the up-coming months.

Most of the project will utilize existing federal right of way and designated utility corridors. Nevertheless, the Harcuvar project is dependent upon the presence of the planned PVD2 500 kV line and the following new transmission elements:

- Interconnection to both Palo Verde to Devers 500 kV lines at a proposed Salome Substation.
- Five miles of new 230 kV transmission line from the Salome Substation to CAWCD's existing Little Harquahala Substation.
- A new 115/230 kV double circuit transmission tie between the existing CAWCD Bouse Hills and Little Harquahala Substations (following the existing Central Arizona Project right-of-way).

2.4.4 San Luis Rio Colorado Plant and North Branch Transmission Project

A Mexican company called Generadora Del Desierto ("GDD") is proposing to construct a two on one combined cycle plant called the San Luis Rio Colorado Project. The plant is to be located 2 kilometers south of the US / Mexico border. The plant will interconnect with WAPA's Gila Substation via a double circuit 230 kV line. A new 230 kV switchyard and a 230 / 161 kV transformer will be required at Gila Substation. The double circuit 230 kV lines will continue to the North Gila Substation where it will interconnect to the Gila 500 kV substation. Current negotiations are underway to share 230 kV facilities with APS to preclude redundancy of facilities to serve APS loads south of Yuma.

The 230 kV lines, Gila Substation additions, and interconnection facilities will be owned by WAPA. An Environmental Impact Statements and Record of Decision has been completed by Western and forwarded to the US Department of Energy for review and issue of a Presidential Permit to interconnect the generator located in Mexico with the US transmission grid. Receipt of the Presidential Permit is expected very soon.

²² [2008 BTA Workshop I, Harcuvar Presentation, May 22, 2008](#)

2.4.5 Wellton-Mohawk Project

The Wellton-Mohawk project is a 230 kV transmission project interconnecting to the planned Palo Verde to North Gila No. 2 500 kV project. A 500/230 kV receiving station will interconnect with the planned 500 kV line approximately 40 miles east of the North Gila Substation. Wellton-Mohawk plans on constructing a 230 kV transmission line from that receiving station through the Wellton-Mohawk service area and interconnecting to the existing WAPA Ligurta Substation. In addition to the 230 kV transmission line, Wellton-Mohawk plans on constructing a new 230/69 kV substation to provide additional load serving capability to the eastern side of the Wellton-Mohawk electric service territory and to provide reliable electric service to a proposed oil refinery within the Wellton-Mohawk electric service territory. An overview map showing the general routing and interconnection points of this project are included as Exhibit 12.

The Wellton-Mohawk Project reported that it has performed preliminary feasibility power flow analysis, but the final report has not yet been completed. Therefore, no power flow or stability studies were filed with their ten year plan. The Wellton-Mohawk 230 kV transmission project stakeholder input has previously been limited to the refinery developers, potential resource suppliers and the participants in the Palo Verde - North Gila No. 2 Project. Detailed power flow and stability analysis will be performed once the load characteristics (oil refinery and associated ancillary loads) are better defined.

2.4.6 Santa Cruz Water and Power District – Three Terminal Plan

The ten year plan filed by the Santa Cruz Water and Power District (“SCWPD”) includes a transmission project associated with a Southwest Public Power Resources (“SPPR”) group generation project. SPPR is a diverse group of entities widely spread across Pinal County and other locations in Arizona that are participating in resource development. SCWPD is a participant in SPPR’s resource development and associated transmission improvement efforts.

The Three Terminal Plan (“TTP”) transmission project filed by SCWPD is needed to interconnect SPPR’s Generation Project No. 1 located in Pinal County and deliver power to the SPPR participants. The SPPR Generation Project No. 1 is tentatively planned as a 2-on-1 combined cycle gas-fired generating plant rated at approximately 620 MW. Multiple generation sites were under consideration at the time of SCWPD filing its ten year plan. An overview map showing the general routing and interconnection points

of this transmission project are included as Exhibit 13. The TTP project consists of the following transmission elements:

- **A 230 kV line from Santa Rosa/Test Track to a new ED5 230 kV substation:**
A 230 kV circuit will be added on the SEV 500 kV line from Santa Rosa to Thornton Road; then a portion of WAPA's Casa Grande to Empire to Saguaro 115 kV line will be converted to a double circuit 230 kV line from Thornton Road to a new ED5 230 kV substation. WAPA's circuit will continue to operate at 115 kV.
- **A 230 kV line from the new ED5 230 kV substation to Pinal Central 230 kV:**
WAPA's existing ED5 to ED4 to ED2 115 kV line will be converted to a double circuit 230 kV line. WAPA's circuit will continue to operate at 115 kV.
- **A 230 kV line from the new ED5 230 kV substation to a new Marana 230 kV substation:**
The remaining portion of WAPA's 115 kV line from Empire to Saguaro and its 115 kV line from Saguaro to Marana Tap will be converted to a double circuit 230 kV line. WAPA's circuit will continue to operate at 115 kV.
- **A double circuit 230 kV line from Pinal Central to a "Randolph" generation site, OR minimal 230 kV transmission requirements to interconnect other potential generation sites in close proximity to the TTP project.**

No power flow or stability studies were filed with the ten year plan in support of this project. However, power flow studies were filed with Commission Staff on June 30, 2008, for that portion of the TTP project that would be subject to Condition 23 of Decision No. 68093. In addition, extensive resource planning studies, several purchased power solicitations and a comprehensive siting study have been performed. Detailed power flow analyses have been performed for three short-listed generation sites. Preliminary short circuit and stability analyses have been performed for two of the potential sites. Results of all these additional studies will remain confidential pending final site selection. The SPPR Group members who are also participants in the Southeast Valley ("SEV") transmission project have requested that SRP perform a study of new generation in the general proximity of Pinal Central and the planned TTP transmission project.

2.4.7 Bowie Power Station

The Bowie Power Station owned by Southwestern Power Group (“SWPG”) is a natural gas fired 1,000 megawatt electric generation facility planned for southeastern Arizona near the community of Bowie in Cochise County. The Bowie Power Station and associated transmission project were issued Certificates of Environmental Compatibility.²³ Construction of the first 500 megawatt unit is expected to begin in 2008, with commercial operation expected by 2011. The ten year plan filed in January 2008 was not accompanied by power flow or stability studies.

The Bowie Power Station interconnects with TEP’s 345 kV transmission system at Willow Substation via two 345 kV transmission lines. An overview map showing the general routing and interconnection points of this transmission project are included as Exhibit 14. SWPG participates in regional transmission planning forums, SWAT and its subcommittees, and ongoing activities of WestConnect. SWPG filed an interconnection request for the Bowie Power Station with TEP and reported that the following technical study work has been completed or is scheduled:

- A System Impact Study (“SIS”) has been completed and a report was issued by TEP.²⁴ A Facility Study (“FS”) was initiated March 2008 and is to be completed in the third quarter of 2008.
- An Interconnection Agreement (“IA”) with TEP will be executed and filed with the ACC in the third quarter of 2008.
- A Transmission Services Agreement will be executed with TEP in the first quarter 2011.

2.4.8 SunZia Southwest Transmission Project

SunZia is a 500 kV interstate transmission project sponsored by Southwestern Power Group between Arizona and New Mexico. An overview map showing the general routing of the line is included as Exhibit 15. As stated in the June 2, 2008 SunZia press release²⁵, “SunZia will provide new delivery paths to electricity markets for existing and developing energy resources, primarily renewable resources such as wind, solar and geothermal projects in both states. Through strategic interconnections, customers in

²³ ACC Decision Nos. 64625 and 64626 issued on March 7, 2002 and Decision No. 69339 issued on February 20, 2007

²⁴ http://www.oatioasis.com/TEPC/TEPCdocs/Bowie_PS_Project_500_MW_GIS--FINAL_REPORT.pdf

²⁵ [SunZia Southwest Transmission Project Press Release, WestConnect Website, June 2, 2008](#)

Arizona, New Mexico, Nevada and California will have access to these new resources to help meet their local power needs. SunZia will also substantially improve the efficiency and reliability of power transfers across the transmission grid in the West.”

The SunZia ten year plan filed in January 2008 was not accompanied by power flow or stability studies. However, SunZia reports that it is involved in the regional and subregional planning process through the following forums and activities:

- **WECC** — Regional Project Planning was initiated on December 15, 2006. A draft Regional Planning Project Report (“RPPR”) was issued on March 16, 2007, and a final RPPR was issued to WECC on May 17, 2007. WECC issued acceptance of RPPR on July 12, 2007.
- **Subregional Planning** — Regular project updates are provided to SWAT and its subcommittees
- **Open Season** — Was announced on December 15, 2006, and attracted thirty interested parties. An initial meeting held on February 16, 2007. A participation agreement was signed by five parties and reported on June 2, 2008.²⁶

2.4.9 High Plains Express Initiative

The High Plains Express is a participant led, multi-state 500 kV transmission initiative from Wyoming to Arizona. Currently Xcel Energy and Trans-Elect Development Company are co-managing the participant’s efforts and committee coordination. A ten year plan has not been filed with the Commission for this project. Therefore, this project was not considered as the adequacy analysis and ten year plan statistics were compiled for this BTA. This project was presented and discussed at the May 22, 2008 BTA Workshop. An overview map showing the general routing and interconnection points of this project are included as Exhibit 16.

The High Plains Express transmission project is envisioned to provide the primary regional benefits of reliability improvements, access to multiple locations of renewables in several states and provides a roadmap for regional transmission expansion. High Plains Express has completed a preliminary technical

²⁶ <http://www.sunzia.net/news.php>

and an economic feasibility study for a 3,500 MW project with two separate 500 kV transmission lines. A preliminary feasibility study final report was issued in June 2008.²⁷

High Plains Express is considering possible inclusion of SunZia, the New Mexico Wind Collector System and the Wyoming-Colorado Intertie projects as components of its project. The next stage for the High Plains Express Initiative is to perform a more advanced feasibility evaluation that includes geographic study areas, sequential development, operational modeling, public regulatory policies, further quantification of costs and benefits, cost recovery mechanisms, business structures, and continued stakeholder involvement. High Plains Express currently has eight participant utilities and three state organizations, identified in Table 7.

Table 7 High Plains Express Participants

Xcel Energy	Colorado Springs Utilities
Public Service Company of New Mexico	Colorado CEDA
Tri-State Generation and Transmission	Wyoming Infrastructure Authority
Western Area Power Authority	New Mexico EMNRD ²⁸
Platte River Power Authority	Trans-Elect Development Company
Salt River Project	

2.4.10 TransWest Express Transmission Project

The TransWest Express Transmission Project is currently conceptualized as a 500 kV bi-polar transmission line from Wyoming to the Desert Southwest region originally proposed in 2005. The proposed 500 kV DC line would be approximately 850 miles in length and have a rating of approximately 3,000 MW, with a targeted in-service date ranged from 2013 and 2015. The project has focused on regional needs and contemplated transmission service between Wyoming and Nevada, California and Arizona. TransWest Express was being developed by APS, the Wyoming Infrastructure Authority (“WIA”) and National Grid. A recent acquisition of the rights to the TransWest Express Transmission Project by Anschutz Corporation has resulted in National Grid choosing to withdraw from the TransWest Express project and APS to remain involved in a more limited fashion. While no ten year plan has been filed with

²⁷ http://www.rmao.com/wtpp/HPX/HighPlainsExpress%20First%20Stage%20Feasibility%20Report%2006_08.pdf

²⁸ New Mexico EMNRD is New Mexico’s Energy, Mineral, and Natural Resources Department

the Commission, the project was incorporated in the 2007 WestConnect Transmission Plan. An overview map showing the general routing of the line is included as Exhibit 17.

The TransWest Express sponsoring entities and PacifiCorp have previously agreed to co-develop TransWest Express and the Gateway to South 500 kV Projects. In accordance with the WECC Regional Planning Review Process, the Northern Tier Transmission Group (“NTTG”) and SWAT subregional planning processes, and FERC Order 890, the four co-developers held four stakeholder meetings to obtain feedback on the TransWest Express and Gateway South projects. Significant progress was also made in the following areas over the past year:

- Right of way applications were filed with Bureau of Land Management (“BLM”),
- A conceptual design report was completed,
- A WECC Regional Planning Project Review was completed and a WECC Phase 1 Rating Process was initiated, and
- TransWest Express was reconfigured based on Stakeholder input and resource market changes.
- National Grid recently completed and published a study²⁹ that concluded that Wyoming-produced wind power provides significant potential for providing the West with a reliable source of renewable energy

²⁹ *The West's Renewable Energy Future: A Contribution by National Grid* (July 2008), Section 4.2 at pages 19-24 Available at http://www.nationalgridus.com/non_html/transmission-WestRenewableFuture.pdf

3. COMMISSION ORDERED STUDY WORK

3.1 History and Purpose

Over the course of prior BTAs the Commission has ordered that supplemental study work be performed by Arizona utilities to facilitate subsequent assessments. The ordered study work has a two fold purpose. The ordered studies are intended to improve the accuracy and prudence of the conclusions and recommendations resulting from the BTA. Secondly the ordered studies are intended to better inform the Commission regarding the merits of focusing industry attention on areas of the transmission system that potentially need improvement.

Study work ordered by the Commission falls into four categories. The transmission load serving capability of local load pockets has been a study requirement since the first BTA. Reliability must run studies have been required for potentially constrained transmission import areas with local generation since the 2nd BTA. N-1-1 and extreme contingency studies have been required to ascertain the transmission system's robustness to withstand extra ordinary emergency events since the 3rd BTA. The Fourth BTA Decision added a requirement for an assessment of the transmission capacity available and needed to accommodate Arizona renewable energy development in the 5th BTA.

3.2 2008 Local Area Transmission Load Serving Capability Assessment

In the First BTA, Staff identified five load pockets in Arizona that should be monitored for transmission import constraints: Phoenix, Tucson, Yuma, Mohave County and Santa Cruz County. The 2002 BTA added a sixth area located in Southeastern Arizona (Cochise County). The Cochise County area was added to the Commission's areas of concern due to a major blackout of the area in 2001. The 2004 BTA added Pinal County as a local area that needed to be monitored as well. Inclusion of Pinal County was prompted by the necessity of transmission providers to implement a remedial action scheme ("RAS") or special protection scheme ("SPS") for single contingencies with operation of the new Desert Basin and Sundance power plants and additional gas turbines at Saguaro Power Plant.

The transmission import capability for these seven local areas remains a consideration for this BTA. Utility Distribution Companies have the obligation to assure that adequate transmission import capability is available to meet the load requirements of all distribution customers within their service areas.³⁰ The

³⁰ Arizona Administrative Code R14-2—1609.B

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Commission has adopted the use of two terms as indicators of the load serving capability of local load pockets: Simultaneous Import Limit (“SIL”) and Maximum Load Serving Capability (“MLSC”).³¹ APS, SRP, TEP and SWAT have filed studies with the Commission that address the SIL and MLSC of six of Arizona’s seven load pockets. A summary of the SIL and MLSC for each local area is depicted in Table 8.

Table 8 Local Area Transmission Load Serving Capability

AREA	Year	SIL / MLSC (MW)	Critical Contingency	Nature of Constraint
APS/SSVEC/TEP Cochise County	-	-	1 of 4 Radial Lines	Loss of Load and Restore***
Mohave County*	2016	1,150	Davis-McCulloch 230 kV	Riveria 230 kV Post Trans Voltage
		1,250	Parker- Black Mesa 230 kV	Black Mesa 230 kV Post Trans Volt
APS/SRP/WAPA Phoenix	2011	11,245	Palo Verde-Rudd 500 kV	Voltage deviation > 5%
		15,436	Palo Verde-Rudd 500 kV	Voltage deviation > 5%
	2016	13,136	Palo Verde-Rudd 500 kV	Rudd-Libert 230 kV Overload
		17,747	Orme-Rudd 230 kV Ckt 1	Orme-Rudd 230 kV Ckt 2 OL
Pinal County CATS HV	2016**	1,309	ED-5A-Empire 115 kV	TestTrack-CasaGrande 230 kV OL
		1,709	TestTrack-Casa Grande 230 KV	Voltage deviation > 5%
Santa Cruz County	2008	60	N-0 / Nogales Tap-Kantor 115 kV	Voltage / ***
		115	N-0 / Nogales Tap-Kantor 115 kV	Voltage / ***
	2011	60	N-0 / Nogales Tap-Kantor 115 kV	Voltage / ***
		110	N-0 / Nogales Tap-Kantor 115 kV	Voltage / ***
	2016	120	N-0 / Vail-Kantor 138 kV	Vail-Kantor 138 kV/ ***
		180	N-0 / Vail-Kantor 138 kV	Vail 345/138 kV Trans/ ***
TEP Tucson	2008	1,950	Sag.-Tortolita 500 KV #1 & 2	Voltage Stability
		2,425	Pinal West-South 345 kV	AV-Marana 138 kV Overload
	2011	2,250	Winchester- Vail 345 KV	Bicknel 345/230 Trans Overload
		2,875	Springerville- Vail 345 kV	N. Loop-W. Ina 138 kV Overload
	2016	2,650	Springerville-Vail 345 kV	N. Loop-DMP 138 kV Overload
		3,125	Springerville-Vail 345 kV	N. Loop-W. Ina 138 kV Overload
APS Yuma	2011	258	Hassayampa-N. Gila 500 kV	Pilot Knob-Yucca 161 KV OL
		610	Hassayampa-N. Gila 500 kV	Pilot Knob-Yucca 161 KV OL
	2016	414	N. Gila-Imperial Valley 500 kV	Gila 230/161 kV Transformer OL****
		716	N. Gila-Imperial Valley 500 kV	Gila 230/161 kV Transformer OL****

Data per 2 APS & 3 TEP RMR Studies and CATS HV Study

SIL = Simultaneous Import Limit

MLSC = Maximum Load Serving Capacity

Staff 6/23/08

Notes:

* MSLC increase to 1500 MW w/ Parker to N. Havasu 230 kV looped into Black Mesa

** Both entries are for SIL: 1st row is w/o WAPA upgrades to 230 kv / 2nd is w/ WAPA upgrades

*** Loss of Load occurs and Restoration Plans must be activated

**** WAPA proposes to use RAS or SPS to open transformer for N-1

³¹ Appendix C, RMR Conditions and Study Methodology

3.2.1 Cochise County Import Assessment

The Cochise County load serving entities are APS, TEP, and Sulphur Springs Valley Electric Cooperative (SSVEC). The Cochise County load, from Ft. Huachuca to Douglas, is served via four radial transmission lines. The loss of any one of these lines during summer peak could result in the inability of one or more of the load serving entities in this area to serve their entire load. A study of the Cochise County Area was performed following a 2001 blackout of southern Arizona and was documented in the Second BTA. At that time no Commission action was deemed necessary because local transmission and distribution switching capability was sufficient to minimize the outage time for customers for single contingency outages and service could be restored to all customers for loss of a single transmission line.

The Fourth BTA documented that N-1 contingency violations occurred for loss of the Apache to Butterfield, Butterfield to San Rafael 230 kV line, or the Pantano to Kartchner 115 kV line in Southwest Transmission Cooperative's ("SWTC") 2015 planning study. The Commission granted SWTC a time extension until January 2008 to resolve these three Cochise County N-1 contingency violations and to file expansion plans that resolve those issues as part of its 2008-2017 ten year plan. A subcommittee of the Southern Arizona Transmission Subcommittee ("SATS") subregional planning group has undertaken this task. An extended customer service outage following a series of outages during the period October 9th through October 11th in 2007 caused a refocus of the technical studies to be performed for the Cochise County Area. Another key outage event occurred in this geographical area on August 29, 2008. The SATS Cochise County Study Report - 3rd Draft is publicly available on the WestConnect website.³²

SWTC filed study results in support of its ten year plan that indicates that its latest transmission plan is void of single contingency overloads through 2017. This is substantiated by the CATS EHV Study Report results. This is achieved by looping an existing WAPA Nogales Tap to Adams 115 kV line into Pantano. SWTC also reported in its ten year plan that a new radial 230 kV line from Sloan to Kartchner with a to-be-determined ("TBD") in-service date was the most "economical, feasible and robust plan" for a third 230 kV injection to the Sierra Vista area. SWTC reports that the addition of this new line "would sustain the SSVEC loads in Sierra Vista past the 2026 projected load levels." Diverse opinions were expressed at the May 22nd and 23rd BTA Workshop regarding choices of solutions emerging from the Cochise County study process. On July 8, 2008, Sulphur Springs Valley Electric Cooperative ("SSVEC")

³² http://www.westconnect.com/filestorage/3rd_Draft_Cochise_County_Study_Report-Clean.doc

filed a document commenting on the Cochise County study work and pending solutions filed in SWTC's ten year plan.

The Cochise County Study Report indicates that TEP cannot restore service to 6 MW of its existing 22 MW Fort Huachuca load following an outage of the Vail to Fort Huachuca 138 kV line. Therefore, the Fort is considering an emergency tie with SSVEC. The report also indicates that APS does not anticipate any significant load growth in the ten year time period. Following an outage of the Adams to Mural 115 kV line APS can restore service by starting its Douglas generator and closing an emergency tie with SSVEC at McNeal Substation assuming there is sufficient line capacity available. APS contends there is sufficient transmission capacity in the area and that all they anticipate needing is a second emergency 69 kV tie with SSVEC south of Sierra Vista. APS does acknowledge in the report that additional transmission capacity would be required if significant spot load growth occurs in the APS service area. In contrast SSVEC has advocated looped transmission service as a solution to its local service reliability concerns.

It is Staff's opinion that the proposed Sloan to Huachuca radial 230 kV line is not an adequate transmission solution for Cochise County. It perpetuates radial transmission service until at least 2026. A "restoration of service" approach to transmission outages has historically been the operational mantra for Cochise County. This has been of concern to Staff since the first BTA ten years ago. The critical nature of Fort Huachuca's mission and the accompanying load growth occurring in southern Cochise County (predominantly in Sierra Vista) begs for a transition to "continuity of service" for transmission outages. Furthermore, the proposed line does nothing to mitigate the APS and TEP dependence upon SSVEC for emergency restoration of service.

APS, SSVEC and TEP each have an obligation to assure that adequate transmission import capability is available to meet the load requirements of all distribution customers within their service areas.³³ Perpetuating "restoration of service" following a transmission line outage to the area for another 20 years is not in the public's best interest. It would be appropriate for SATS to perform studies that develop transmission plans that assures a transition to "continuity of service" for single contingency transmission lines in Cochise County within the next five to ten years.

³³ Arizona Administrative Code R14-2—1609.B

3.2.2 Santa Cruz County Import Assessment

Santa Cruz County is also served by a single transmission line. The customer service and system impacts and risks associated with the loss of a single 115 kV line serving Santa Cruz County are well chronicled in prior BTA assessments and siting proceedings of the Gateway 345 kV transmission project.³⁴ A TEP 345 kV Gateway Transmission Project was proposed as a solution and a Certificate of Environmental Compatibility was approved by the Commission. A NEPA environmental impact study has been concluded for the project but Federal Records of Decision and a Presidential Permit for the new 345 kV Gateway Transmission Project are still pending with federal agencies.

UNSE installed a 20 MW generator in Nogales in 2004 and plans to upgrade its existing 115 kV line to 138 kV in 2013 as interim solutions to ensure the ability to restore service after an outage. This latter action is what increases the Table 8 reported SIL and MLSC for Santa Cruz County in 2016. However, Santa Cruz County remains exposed to service outages for all of its UNSE customers following the loss of the single transmission line serving the county. Some customers will experience extended periods of service interruption for that transmission line outage. The most recent reported outage occurred on July 16, 2008 and resulted in 63,455 customer hours of service interruption.³⁵ UNSE indicates that service cannot be restored for this outage at summer peak as depicted in the following Table 9.³⁶

Table 9 Unserved Load for Transmission Line Outage

YEAR	2008	2011	2016
FORECAST LOAD	77 MW	85 MW	99 MW
LOAD REJECTION	~9 MW	~16 MW	~36 MW

The above table is based on continued radial operation and a worst case outage of the transmission segment north of Kantor.

³⁴ ACC Docket No. L-00000-01-0111

³⁵ Records of Arizona Corporation Commission, Outages Forms, Reported by Rick Molina with UNS Electric on July 17, 2008

³⁶ TEP and UNS Electric response to First Draft of 2008 BTA, August 6, 2008

The UNSE ten year plan includes the Gateway 345/115 or 345/138 kV transformer and associated 115 kV or 138 kV line from Gateway to Valencia and reports these elements as pending federal permitting. The UNSE ten year plan also includes a third line to serve Santa Cruz County and describes it as under review. That line is a Gateway to Sonoita 138 kV line. Either of the new lines would resolve the exposure to customer service interruptions for outage of the existing 115 kV line.

3.2.3 Mohave County Import Assessment

Mohave Electric Cooperative (“MEC”) and UNSE are the load serving entities in Mohave County. The Mohave County RMR study indicated a SIL of 1,150 MW would exist for the area in 2016. Since the 2016 Mohave County load is 1,107 MW, the study concludes the peak load can be served without relying on the operation of local fossil generation. UNSE, therefore, concludes that no RMR condition would exist for the area. The Mohave County area RMR study also indicated that the MLSC was 1,250 MW and could be increased to 1,500 MW with the existing Parker to North Havasu 230 kV line looped into Black Mesa Substation. UNSE reported that it has requested WAPA to analyze this transmission improvement to resolve post transient voltage problems in the area.

The transmission system in Mohave County is primarily owned and/or operated by WAPA. Therefore, all modeling and study work associated with the 2008 Mohave County RMR was performed with input from WAPA. This included refining modeling methodologies to determine study metrics such as SIL and MLSC. The Mohave County study modeled 337 MW of local hydro generation when determining the SIL limit. This is not consistent with the Commission’s definition of SIL which establishes the maximum load that can be served in a local area without local generation.³⁷ The MLSC as defined by the Commission is intended to indicate the maximum area load that can be served with local generation at maximum output less any local reserve requirement.³⁸ The Mohave County study does include 80 MW of new Black Mountain combustion turbines but fails to model or acknowledge other new generation developments occurring in the area.

This concern is reinforced by the fact that the Commission actually approved a CEC for the Northern Arizona Energy Project (“NAEP”) on December 21, 2007.³⁹ NAEP is a new 175 MW generation project

³⁷ Appendix C: RMR Conditions and Study Methodology

³⁸ Ibid

³⁹ ACC Decision No. 70108, Docket No. L-00000FF-07-0134-00133

interconnecting at Griffith Substation. The NAEP siting process revealed that under maximum generation conditions at Griffith a RAS or SPS is required to trip NAEP units for a single contingency outage for either of two WAPA transmission lines when the NAEP generation is above 70 MW. The NAEP generation was not modeled in the Mohave County RMR study. Conversely, the new Black Mountain combined cycle units (80 MW) were not modeled in the NAEP Study.

3.2.4 Pinal County Import Assessment

The load serving entities providing electric service in Pinal County are APS, Electrical District Nos. 2, 3, 4, and 5, and the San Carlos Irrigation District ("SCIP"). These entities participate in the CATS HV Studies for the area. The 2016 CATS HV Study indicates that Pinal County is capable of serving 200 to 600 MW of load growth beyond that forecast for 2016. The quantity of load growth that can be accommodated beyond 2016 depends upon whether WAPA's local 115 kV lines are upgraded to 230 kV. Both entries in the Table 8 SIL/MLSC column are reported as SIL limits for the area. The first Pinal County SIL entry is applicable without the WAPA line upgrades and the second is applicable when the lines are upgraded to 230 kV but operated at 115kV. However, these are considered to be "pseudo" SIL limits because the Desert Basin, Sundance, and Saguaro generation in Pinal County were modeled and scheduled for normal summer peak conditions. SIL is intended to establish the maximum load that can be served in a local area without local generation.

3.2.5 Import Assessments Requiring RMR Studies

The 2011 and 2016 peak load forecasts for the Phoenix, Santa Cruz County, Tucson, and Yuma areas exceed each respective area's SIL capability. This condition is the subject of the required RMR studies discussed in detail in the next section of this report. The SIL and MLSC limit for each of these areas increases between 2008 and 2016. These improvements are achieved by the construction of planned transmission improvements contained in this BTA. The planned system improvements that enable the increased SIL and MLSC improvements are well documented in the respective RMR study reports.

Five of Arizona's seven load pockets contain local generation with potential RMR conditions. An RMR condition exists when the local load served by a utility distribution company ("UDC"), or group of UDCs, exceeds the SIL of the local transmission system. The Commission has approved and adopted a

definition of RMR Conditions and Study Methodology to be utilized for RMR study requirements.⁴⁰ It requires that the Commission receive information from RMR studies that identifies four essential RMR indicators:

- RMR hours - The number of hours during which the local load is above the SIL,
- RMR energy - The amount of energy served from RMR generation,
- RMR peak demand - The maximum RMR amount of capacity that the RMR generators would be required to produce, and
- RMR costs - The costs of out-of-merit-order⁴¹ dispatch from RMR generation.

This is the third BTA with a Commission ordered specific RMR filing requirement. UniSource Electric Services (“UNSE”) was ordered to file an updated RMR Study for both Mohave County and Santa Cruz County by January 2008. RMR studies have been performed and provided to the Commission for the Phoenix Area and APS Yuma Area,⁴² Mohave County,⁴³ Tucson,⁴⁴ and Santa Cruz County.⁴⁵ A summary of the RMR study results reported and filed by APS and TEP are depicted in Table 10.

⁴⁰ Appendix C, RMR Conditions and Study Methodology

⁴¹ Out-of-merit order generation is more expensive than generation in the economic dispatch order

⁴² APS Must Run Analysis 2008-2017, APS 2008-2017 Ten year Plan, filed January 31, 2008

⁴³ UNSE Mohave County SIL, MLSC, RMR Study, filed July 8, 2008

⁴⁴ TEP SIL, MLSC, RMR, Common Corridor & Extreme Contingency Study, filed July 8, 2008

⁴⁵ UNSE Santa Cruz County RMR Study 2008-2016, filed July 8, 2008

Table 10 RMR Study Results

AREA	Year	Peak Load (MW)	SIL (MW)	MLSC (MW)	RMR			
					RMR Gen @ Peak (MW)	Hrs	Energy (MWh)	Cost (\$000)
Mohave County	2016	1,007	1,150	1,250	-	-	-	\$ -
APS/SRP/WAPA Phoenix	2011	13,433	11,245	15,436	1,920	317	168,000	\$ -
	2016	15,542	13,136	17,747	1,919	285	155,000	\$ -
Santa Cruz County	2008	77	60	115	2	-	-	\$ 3
	2011	85	60	110	17	-	-	\$ 76
	2016	99	120	180	-	-	-	\$ -
TEP Tucson	2011	2,629	2,250	2,875	320	225	-	\$ 426
	2016	3,010	2,650	3,125	315	145	-	\$ 276
APS Yuma	2011	475	258	610	194	2,258	146,000	\$ 1,000
	2016	553	415	716	144	144	30,000	\$ -

SIL = Simultaneous Import Limit

MLSC = Maximum Load Serving Capacity

RMR = Reliability Must Run

Data per two APS & 3 TEP RMR Studies

Staff 6/23/08

3.2.6 Mohave County RMR Assessment

Mohave County is the only Arizona load pocket with local generation that has a peak load that does not exceed its reported SIL rating. For this reason no RMR studies were actually performed by UNSE for Mohave County. UNSE reported that RMR conditions do not exist for the Mohave County area because it can reliably support its projected peak load without dispatching any local fossil generators. However the SIL limit for Mohave County is in question due to the presence of 337 MW of local hydro generation as described in Section 3.2.3 of this report. A Mohave County RMR condition may actually exist and require further study to determine if the actual SIL is lower than reported in the Mohave County RMR study report.

3.2.7 Phoenix Metropolitan Area RMR Assessment

The interconnected transmission system serving the metropolitan Phoenix area is owned and operated by APS, SRP and WAPA. A majority of the Phoenix area load is served by transmission imports. Load growth occurring in the North and West segment of the Phoenix area is served by APS and the load growth in the East and South Valley is served by SRP. An RMR condition exists for the Phoenix area

because the peak load for the area exceeds the SIL of the existing and planned transmission system serving the area.

The Phoenix area 2008 RMR study concludes that for the Phoenix metropolitan area, the cost of RMR energy is not significant and advancement of transmission projects to increase import capability is presently not cost justified. The following other key RMR study findings were reported for the Phoenix metropolitan area:

1. The projected local generation reserve margin exceeds the required reserve margin (865 MW) for those hours during which RMR conditions exist. The projected reserve margin is 1,758 MW in 2011 and 1,759 MW in 2016.
2. Local generation is not expected to be dispatched out of economic dispatch order in 2011 and 2016.
3. There are no emission impacts due to RMR generation energy production in 2011 and 2016 because the local units are not dispatched out of economic dispatch order.
4. Phoenix area RMR conditions pose no impact to local generation capacity factor and total yearly natural gas consumption by the Phoenix area generators because the local units are already scheduled in economic dispatch order irrespective of the SIL being exceeded.

The Phoenix area RMR study is thorough and well documented. The study comports to the Commission's RMR study methodology and actually performs production cost simulations using industry accepted study tools and publicly available data. No flaws in assumptions or modeling are evident in the report. The study results reflect a system perspective of transmission import and RMR analysis for the Phoenix metropolitan area for all the local generation and three local transmission providers: APS, SRP and WAPA.

3.2.8 Tucson Area RMR Assessment

The Tucson area is interconnected to the EHV transmission system via three 345 kV Substations: Tortolita, South and Vail. These three stations interconnect and supply energy to the local TEP 138 kV system. An RMR condition exists for the Tucson area because the local TEP load exceeds the SIL of the existing and planned local TEP transmission system.

TEP's RMR study for the Tucson area reports that the SVC added at Northeast Loop 138 kV Substation in 2008 eliminates the voltage constraint reported in its 2006 RMR study for loss of the

Winchester to Vail 345 kV line. The 2008 report indicates the 1,950 MW 2008 SIL is still limited by voltage instability for loss of both Saguaro to Tortolita 500 kV lines. The study also reports that TEP's EHV scheduling capability to Tucson is also 1,949 MW via the Pinal West to South 345 kV line, Saguaro to Tortolita 500 kV lines and the Springerville to Vail 345 kV lines. Therefore, one can conclude that TEP's 2008 SIL is set by both EHV limitations. With a 2008 load forecast of 2,417 MW the TEP SIL limit is exceeded and an RMR condition continues to exist.

The reported Tucson area peak load forecast for 2011 and 2016 do exceed the reported SIL for the respective years. Therefore, an RMR condition would actually exist. The RMR report indicates for 2011 the SIL limit is a thermal limit of the Bicknell 345/230 kV transformer for the corridor outage of the Springerville to Vail and Winchester to Vail 345 kV lines. TEP reports that the thermal overload does not pose a problem because there is an agreement with SWTC that the transformer can be tripped when its loading reaches the trip point of 240 MW. By running local RMR generation the same critical outage becomes voltage stability limited. By 2016 the RMR study indicates the critical outage has become a single contingency loss of the Springerville to Vail 345 kV line. The SIL limitation becomes a thermal overload of the North Loop to West Ina 138 kV line in 2016. TEP reports that the cost to mitigate and eliminate the RMR costs with transmission improvements ranges from \$86 to \$553 Million.

TEP filed an amended Tucson area RMR Study report on August 6, 2008, that contains the information necessary for Staff to complete its assessment of this RMR study. The amended report explains how the Tucson area RMR peak demand was established and how the RMR costs were determined. The system changes between the RMR 2011 and 2016 studies were also identified. Staff has reviewed the amended report and finds the RMR study to be complete and a thorough representation of RMR conditions that exist in the Tucson area.

3.2.9 Santa Cruz County RMR Assessment

The Santa Cruz County RMR study considers a local area served by a radial line. Therefore, the RMR peak demand is simply the amount of local generation that must be run to avoid an overload of that line at peak load conditions. The report indicates that in 2008 the RMR for the N-0 condition requires UNSE to run 2 MW of combustion turbines ("CT") at Valencia to serve 77 MW. In 2011 the UNSE will be required to run 17 MW at Valencia to serve 85 MW. After upgrade of the 115 kV line to 138 kV has occurred in 2013 there is no RMR generation required for the N-0 condition because the 120 MW SIL exceeds the 99 MW 2016 forecast load.

Service will be interrupted to all customers resulting in emergency load restoration for the loss of the single transmission line. Emergency load restoration makes use of the combustion turbines (CTs) at the Valencia station and closing in the Canoa-Kantor 46 kV tie. Per TEP's "2008 Green Valley and Kantor Substation Summer Preparedness" report dated April, 2008, up to 12.5 MW of load at Kantor can be picked up by closing the Canoa-Kantor 46 kV tie. Approximately 60 MW of load downstream of the Kantor substation can be picked up by the CTs at Valencia. Analysis indicates that some form of load rejection will also be required as the combination of the 46 kV emergency tie and CT operation is inadequate to pick up the forecast load during on-peak conditions. In 2008, service cannot be restored to 9 MW of load for this outage. The load that cannot be restored to service for the outage grows to 36 MW by 2016.⁴⁶

3.2.10 Yuma RMR Conditions and Import Assessment

The Yuma area is served by an internal APS 69-kV sub transmission network containing the entire APS load in the transmission import limited area. There are external ties to WAPA at Gila Substation and the Imperial Irrigation District ("IID") at Yucca Substation. There is also a 500 kV bulk power interface at North Gila with 500kV lines running east to the Palo Verde Hub and west to Imperial Valley in California. APS reports that it coordinated the modeling for the RMR study with the WAPA Phoenix office. The APS Yuma RMR study assumes that 96 MW of new generation will be in-service and connected at the Yucca substation in 2008.

The APS Yuma area 2008 RMR study concludes that RMR conditions do exist for the Yuma area and that there is some limited amount of RMR costs in 2011. The planned APS transmission improvements in the area are sufficient to mitigate RMR cost that would otherwise be associated with 2016 RMR conditions. APS reported that advancement of planned transmission projects to increase import capability in earlier years is not warranted. The following other key RMR study findings were reported for the APS Yuma area:

1. The projected local generation reserve margin exceeds the required reserve margin (97 MW) for those hours that RMR conditions exist. The projected reserve margin is 119 MW in 2011 and 169 in 2016.

⁴⁶ TEP and UNS Electric response to First Draft of 2008 BTA, August 6, 2008

2. The Yuma area load is expected to exceed the available transmission import capability for 2,258 hours in 2011 and 719 hours in 2016. These hours represent approximately 7% of the annual energy requirements for Yuma in 2011 and approximately 1% in 2016.
3. The import constraint could cause APS Yuma generation to be dispatched out of economic dispatch order for 265 hours in 2011 and 25 hours in 2016.
4. The estimated annual economic cost of Yuma area generation required to run out of economic dispatch order is approximately \$1 million for 2011. RMR costs are negligible by 2016 with the planned addition of the second Palo Verde to North Gila 500 kV line and the North Gila to TS8 230 kV line.
5. Removing the transmission constraint would reduce total Yuma area air emissions by a minimal amount for years 2011 and 2016.
6. Removing the transmission constraint could reduce total yearly natural gas consumption by the Yuma area generators by 0.294 BCF and 0.019 BCF for 2011 and 2016, respectively.

The APS Yuma area RMR study is thorough and well documented. The study comports to the Commission's RMR study methodology and actually performs production cost simulations using industry accepted study tools and publicly available data. Assumptions and modeling evident in the report are accurate and appropriate for the APS system. However, major system changes are being proposed for the area by other interconnected entities such as WAPA, WMIID, IID and parties seeking Large Generator Interconnection Agreements ("LGIA") in the area for generation projects exceeding 100 MW. It would be helpful to have a system perspective of the RMR conditions for the entire local area in the future rather than limiting the RMR analysis solely to the APS 69 kV system. This is particularly true given that the SIL and MLSC import limits to the APS system are restricted by the overloads on other transmission providers' systems.

3.3 Ten Year Snapshot

The CATS-EHV workgroup performed and filed a report documenting results of its Ten Year Snapshot Study. This study provides an assessment of the ten year plans proposed by Arizona transmission owners. The CATS-EHV workgroup is partially comprised of the following transmission participants: Arizona Public Service, Salt River Project, Southwest Transmission Cooperative, Tucson Electric Power and Western Area Power Administration. The Ten Year Snap Shot Study consists of conducting N-0 and N-1 power flow analyses that determine the adequacy of the Ten Year Plan. Special N-1-1 power flow

analyses were also conducted to show the criticalness of individual participant projects in the ten year plan.

The Ten Year Snapshot Study verified that there were no actual overloaded elements in the 2016 base case. The CATS EHV Study Group reached a variety of conclusions regarding N-1 contingencies.

1. The power flow solution diverged for eight single contingencies. These problems were resolved either by operational solutions or correcting the modeling of the transmission system for those specific contingencies.
2. Fourteen N-1 contingencies produced twenty-seven overloaded transmission elements. Participants were encouraged to provide mitigating solutions to resolve these overloads.
 - a. Eight of the overloads were mitigated by modeling operational solutions and modeling existing tariff authorized interruptible load shedding schemes.
 - b. TEP resolved its three N-1 contingency overloads by incorporating additional transmission facilities that were not planned at the time the original base case was coordinated. These facilities include a Naranja to Rancho Vistoso 138 kV line and a Northeast to De Moss Petrie 138 kV line. These improvements create a third 138 kV transmission path from North Loop to De Moss Petrie.
 - c. Four N-1 contingencies overloaded sixteen WAPA transmission lines. Overloads involving these elements were not resolved.
3. The N-1 analysis showed 67 buses with greater than five percent voltage deviation. The analysis in this study could not determine if these deviations were realistic or as severe as reported. The underlying transmission system is not sufficiently modeled in the case to accurately determine the actual voltage deviation resulting from an N-1 contingency in 2016.

3.3.1 Special N-1-1 Studies

In its fourth BTA Decision No. 69389, the Commission ordered that utilities continue to comply with single contingency criteria overlapped with bulk power system facilities maintenance (N-1-1) for the first year of the BTA analysis period as required by WECC and NERC. Two forms of N-1-1 studies have been

filed in response to this Commission requirement. The first is the TEP RMR Study and the second is a special N-1-1 study performed by the CATS-EHV Subcommittee.

TEP's RMR Study incorporates results of common corridor outages and N-2 EHV outages for 2008. TEP reported that it routinely studies simultaneous outage of all combinations of two transmission elements, whether common mode or unrelated. The report claims that the simultaneous outage of two elements is equivalent to having one element initially out of service and then losing the other element. TEP's RMR Study concludes that for 2008 system conditions:

- It can survive double contingencies involving parallel lines in the Springerville – Vail corridor.
- It can also survive loss of all EHV transformers at any one of its EHV substations: Tortolita, South, and Vail.

SRP filed the CATS-EHV Study on behalf of the CATS-EHV Subcommittee. The CATS-EHV study contained special N-1-1 studies for 2016. The purpose of the CATS-EHV special N-1-1 studies was to investigate the criticalness of individual transmission projects to the ten year plan. The impact of planned projects being delayed or cancelled was demonstrated by removing a planned project (230 kV and above) from the case and then performing an N-1 contingency analysis. This analysis is more strenuous than the WECC and NERC N-1-1 criteria. The thermal loading and voltage deviation results for these contingencies showed that all planned projects produced adverse impacts if omitted from the ten year plan. Contingencies emerged during the N-1-1 analysis that produced diverging solutions not found in the N-1 analysis. Removing the APS Raceway to Avery 230 kV project from the case is the only project that did not produce an additional or increased overload above what was found in the N-1 analysis. New or worsened voltage deviation results also occurred for these contingencies than were experienced in the CATS-EHV N-1 analysis. The overall results indicate the planned projects are required to resolve potential problems in the ten year plan.

3.3.2 Extreme Contingency Study Work

The Commission directed that, as part of the 5th BTA, parties continue to address and document extreme contingency outage studies for Arizona's major generation hubs and major transmission stations, and identify associated risks and consequences, if mitigating infrastructure improvements are not planned. The Commission also ordered that certain N-2 contingency studies and extreme contingencies in TEP's 2016 case need to be resolved. Studies have been filed in response to these two Commission requirements. Two extreme contingency studies were performed; one by APS for the CATS-EHV

Subcommittee and the other by TEP as part of its RMR Study for the Tucson area. Exhibit 7 graphically displays the extreme contingency corridors studied in 2008 by both the APS and TEP studies.

EHV Transmission line corridors were chosen for study based upon exposure to forest fires and other extreme events. APS performed studies for corridor outages involving the following four sets of lines:

- Cholla-Saguaro and Coronado-Silver King 500kV lines
- Navajo Westwing 500kV lines
- Four Corners-Cholla-Pinnacle Peak 345kV lines
- Glen Canyon-Flagstaff-Pinnacle Peak 345kV lines

TEP performed the corridor outages involving the Springerville to Vail and Springerville to Winchester to Vail 345 kV line.

The extreme contingency studies included the loss of all EHV transformer banks at each of the following substations: Browning, Tortolita, South and Vail Substations. These are all of the major EHV delivery points to the Phoenix and Tucson metropolitan load centers warranting study. Studying other major delivery stations transformer outages would be duplicating effects of the transmission line corridor simulations or single contingency outages normally studied as part of the routine ten year planning process.

TEP studied its corridor outages and loss of major hubs for 2008. TEP's normal operating procedures include the ability to survive the studied corridor outages utilizing a Tie Open Load Shed scheme. Study results show that TEP can survive these extreme contingencies under the 2008 system condition.

The CATS-EHV Subcommittee studied its assigned group of extreme contingencies for 2009 and 2016. In 2009 all customer loads can be served and local Phoenix reserve requirements met for all extreme outages studied. Some outages would require generation redispatch from other available sources. Some outages would require limited local system reconfiguration to alleviate overloads. Without system reconfiguration, outages of corridors into Pinnacle Peak would require local load reduction.

The 2016 outage of the Cholla-Saguaro and Coronado-Silver King 500 kV lines or the Glen Canyon to Flagstaff to Pinnacle Peak 345 kV lines causes a reduction of Phoenix import capability. In these cases a portion of the forecasted load could not be served. All local loads can be served and local Phoenix reserve requirements met for all other extreme outages studied. Some outages involving transmission

connecting to remote generation would require redispatch from other sources. Some outages would require certain local system reconfiguration to alleviate local system overloads.

3.4 Arizona Renewable Energy Transmission Assessment

The Commission's Fourth BTA ordered that "in the next BTA, Commission regulated electric utilities, in consultation with the stakeholders, should prepare an assessment of ATC for renewable energy and prepare a plan, including a description of the location, amount and transmission needs of renewable resources in Arizona, to bring available renewable resources to load."⁴⁷

The *2007 SWAT Renewable Energy Transmission Task Force Report* filed with Docket Control on May 15, 2008, under Docket No. E-00000D-07-0376 was submitted in compliance with the Order. The *2007 SWAT Renewable Energy Transmission Task Force Report* responded to the two main points in the Order as follows:

1. "To address the Commission's first requirement that "Commission regulated electric utilities, in consultation with the stakeholders, should prepare an assessment of ATC for renewable energy" the parties to this report respond as follows:
 - a. Available Transfer Capacity ("ATC") data has been gathered for each utility in Arizona and displayed on the map shown in Exhibit 35. This information was developed during stakeholder workshops held on October 8, 2007 and November 16, 2007 and includes utility (APS, SRP, SWTC, and TEP), and stakeholder input.
 - b. ATC is a dynamic number that can change from day to day. For the purposes of this report, the ATC values observed in June 2007 are used to illustrate the status of the ATC in the Arizona transmission system as shown on Exhibit 35.
2. To address the Commission's second requirement that regulated utilities should "prepare a plan, including a description of the location, amount and transmission needs of renewable resources in Arizona, to bring available renewable resources to load" the parties to this report respond as follows:
 - a. In preparing this report, the parties have attempted to identify the location and amount of potential renewable resource opportunities that now exist in Arizona, and to present an

⁴⁷ Decision No. 69389, March 22, 2007, page 8

overview of the transmission needs associated with such resource opportunities. The specific timing and development of transmission projects from renewable resource generation in Arizona depends on when specific generation projects are developed and seek interconnection with the transmission system.

- b. As shown on Exhibit 36, the parties prepared a renewable resource map displaying areas where renewable resource development could potentially occur, based on input from three specific areas:
 - i. The Arizona Renewable Energy Assessment recently prepared for APS, SRP, SWTC and TEP by Black and Veatch (2007);
 - ii. The queue for renewable resource generation in Arizona requesting potential interconnection (as of October 15, 2007)
 - iii. Stakeholder/developer input on prospective development opportunities.

The renewable resource map was developed during workshop meetings on October 8 and November 16, 2007. It includes the location and a theorized potential total amount of renewable energy development opportunities for several different locations in Arizona. These opportunities include wind, solar, biomass, hydro and/or geothermal renewable energy types.

The map shown in Exhibit 36 provides an overview of the potential, but yet undeveloped renewable resource opportunities within Arizona. It identifies the major wind and solar renewable resources as clusters overlaid on current utility 10-Year Plans and WECC Phase 2 projects. Since geothermal and biomass/biogas opportunities are small relative to solar and wind opportunities, they are included within the total MW potential shown as wind and solar clusters.

During the October 8 and November 16, 2007 meetings, the utilities and stakeholders discussed the potential transmission alternatives for bringing the renewable energy resources to load, assuming that each of the resources was fully developed. The map shown in Exhibit 37 offers a potential transmission map that shows the lines that might be used to transport energy from these potential renewable resources to the major load pockets in Arizona. This map was developed by the utilities and stakeholders during both meetings and includes:

- 1. Existing transmission lines
- 2. Data contained within the APS, SRP, SWTC and TEP 10-Year Plans and WECC Phase 2 projects

3. Potential transmission lines discussed in the workshop meetings that would be necessary if all of the resources were to be developed

The efforts, conclusions and study elements should be interpreted and evaluated in the context of the ongoing regional and neighboring states' efforts addressing similar issues. Those efforts are described in the next section.

3.5 Other Renewable Energy Transmission Initiatives

Renewable portfolios and increasing public policy interest in renewable development have made the need for more transmission from the resource zones evident. Specific initiatives addressing integration of renewable energy sources into system exist on almost every transmission planning and governing level. Public policy and interest in renewable resources have shifted for a variety of reasons, but are due in a large part to four main factors:⁴⁸

1. Climate change / greenhouse gas concerns
2. Regulatory requirements - renewable portfolio standards
3. Diversity and price volatility of fuel sources for growing load
4. Potential for federal or state regulation of conventional fuel sources - "Carbon Tax", "Carbon Cap and Trade" and related regulation

The resultant interest has led to an increased awareness of the need for additional transmission to meet the interest due to three primary factors:

1. Growing loads, transmission limitations
2. Renewable resources may be remotely located without access to available transmission
3. Financing of transmission can be expensive and difficult for smaller intermittent renewable generators.

⁴⁸ *Regional Renewable Energy Transmission Initiatives*, Laurie A. Woodall, May 23, 2008, BTA Workshop I, slide 3

3.5.1 NREL Western Wind and Solar Integration Study

The National Renewable Energy Laboratory (“NREL”) is the nation's primary laboratory for renewable energy and energy efficiency research and development. NREL's mission and strategy are focused on advancing the U.S. Department of Energy's and our nation's energy goals. The laboratory's scientists and researchers support critical market objectives to accelerate research from scientific innovations to market-viable alternative energy solutions.⁴⁹

The objective of the Western Wind and Solar Integration Study (“WWSIS”) is to support multi-state interests in understanding the operating and cost impacts due to the variability and uncertainty of wind and solar power on the grid. The study supports the Western Governor's Clean and Diversified Energy Initiative (30 GW clean energy by 2015) and the President's Advanced Energy Initiative (wind can supply up to 20% of US electricity consumption). This study includes the WestConnect footprint and will also include the WestConnect Virtual Control Area Study.⁵⁰ The WWSIS project is to complete in the second quarter of 2009. Recent WWSIS activities include:

1. Wind mesoscale modeling – completed development of time-series wind speed and power data for Western United States.
2. Solar mesoscale modeling and preliminary site selection - NREL has received solar direct normal and global insolation data at 10km resolution and at hourly intervals for 2004-6 from Richard Perez of State University of New York College (“SUNY”). 3TIER has generated solar forecasts as part of their mesomodel. NREL has developed over 200 GW of power profiles for concentrating solar power (“CSP”) plants based on parabolic trough technology with 6 hours of thermal storage. NREL has also modeled distributed photovoltaic (“PV”) profiles for 150 sites.
3. Scenarios, Site Selection and Statistical Analysis – General Electric (“GE”) will run production simulations on high renewable scenarios, select study sites based upon different integration

⁴⁹ NREL Overview at: <http://www.nrel.gov/overview/>

⁵⁰ NREL Western Wind and Solar Integration Study SWAT Meeting Oct 30-Nov 1, 2007

scenarios and use statistical analysis of a 2008 baseline to develop additional study scenarios.⁵¹

3.5.2 Western Governors Association Efforts

The Western Governors' Association ("WGA") is an independent, nonpartisan organization of Governors representing 18 Western states, and three U.S.-flag Pacific islands. The WGA is currently exploring clean and diversified energy options; encouraging pro-active transmission expansion; promoting coordinated permitting of needed interstate transmission expansion; developing a renewable energy tracking system; and urging the adoption of federal legislation to make reliability standards mandatory. Recent actions that took place in the West to advance the Governors' energy policies for the region are included in the Western Governors 2007 Annual Report⁵².

3.5.2.1 West-wide Renewable Energy Zones

The West-wide Renewable Energy Zone ("WREZ") kick off meeting occurred May 28, 2008, in Salt Lake City.⁵³ The tasks the group plans to complete include:

1. Regional initiative to identify best renewable resources and designate Renewable Energy Zones based upon commercial potential and costs. An evaluation of commercial potential and costs will be performed by a consultant.
2. Inclusive stakeholder process to establish criteria to designate and validate zones for development
3. Develop conceptual transmission plans through WECC and subregional planning groups to deliver from highest ranking zones
4. Report to WGA regarding commercial obstacles facing renewable energy resources
5. Identify options for interstate cooperation of planning and permitting

⁵¹ NREL WWSIS Update July 1, 2008 at: <http://www.westconnect.com/filestorage/UpdateWWSIS-6-28-08.doc>

⁵² Western Governors' 2007 Annual Report at: <http://www.westgov.org/wga/publicat/annrpt07.pdf>

⁵³ Briefing materials at: <http://www.westgov.org/wga/initiatives/wrez/briefing5-28.htm>

3.5.2.2 Clean and Diversified Energy Initiative

The WGA launched the Clean and Diversified Energy Initiative with the adoption of a resolution that established three goals for the West:

1. Develop an additional 30,000 MW of clean energy by 2015 from both traditional and renewable sources;
2. Achieve a 20% increase in energy efficiency by 2020; and
3. Ensure a reliable and secure transmission grid for the next 25 years.

The Clean and Diversified Energy Advisory Committee (“CDEAC”) was commissioned in 2004 by the Western Governors to identify technically and financially viable policy mechanisms, stressing non-mandatory, incentive-based approaches, to meet the need for clean, diversified energy. On June 11, 2006, the CDEAC released a report and recommendations for achieving and possibly exceeding the WGA’s clean and diversified energy objectives⁵⁴. The mission statement of the report was, “To ensure adequate transmission for the region to tap its vast clean and diversified energy resources, Western Governors should adopt and take necessary steps to implement the following actions. The recommendations are grouped according to federal, regional, state and local entities and industries that would implement the recommendations.”⁵⁵

3.5.3 Selected States’ Approaches⁵⁶

3.5.3.1 California

The Renewable Energy Transmission Initiative (“RETI”)⁵⁷ is a statewide initiative to help identify the transmission projects needed to accommodate renewable energy goals, support future energy policy, and facilitate transmission corridor designation and transmission and generation siting and permitting. RETI

⁵⁴ <http://www.westgov.org/wga/policy/06/clean-energy.pdf>

⁵⁵ Specific Recommendation available in *Clean Energy, a Strong Economy and a Healthy Environment*, June 11, 2006, www.westgov.org/wga_reports.htm

⁵⁶ For a survey of state transmission infrastructure authorities see : State Transmission Infrastructure Authorities: The Story So Far; December 2007 - December 2008 at: http://www.osti.gov/bridge/product.biblio.jsp?osti_id=928901

⁵⁷ <http://www.energy.ca.gov/reti/index.html>

is an open and transparent collaborative process in which all interested parties are encouraged to participate. RETI will assess all competitive renewable energy zones in California and possibly also in neighboring states that can provide significant electricity to California consumers by the year 2020. RETI also will issue a report to identify those zones that can be developed in the most cost effective and environmentally benign manner and will prepare detailed transmission plans for those zones identified for development.⁵⁸ The final report for Phase 1A was submitted on May 16, 2008.⁵⁹

3.5.3.2 Colorado

The Colorado Public Utilities Commission ("CPUC") hosted an informational meeting on July 24, 2007, to explore the connection between transmission development and implementation of state energy policies being developed by the state of Colorado. Senate Bill 100 was among the new legislation considered.⁶⁰ ⁶¹Colorado Senate Bill 100 requires rate regulated electric utilities to do the following on or before October 31 of each odd number year:

1. Designate "Energy Resource Zones,"
2. Develop plans for transmission necessary to deliver the electric power consistent with the timing of development of energy resources in or near each zone,
3. Consider how transmission can be provided to encourage local ownership of renewable energy facilities, and
4. Submit proposed plans, designations, and applications for certificates of public convenience and necessity to the CPUC for simultaneous review."

The Clean Energy Development Authority⁶² ("CEDA") was charged to develop a three year plan to accomplish the mandates of Colorado Senate Bill 100, and to work with the Colorado Public Utilities

⁵⁸ <http://www.energy.ca.gov/reti/index.html>

⁵⁹ <http://www.energy.ca.gov/2008publications/RET1-1000-2008-002/RET1-1000-2008-002-F.PDF>

⁶⁰ Colorado Senate Bill SB 07-100, codified at C.R.S. § 40-2-126.

⁶¹ WestConnect Planning Report page 36

⁶² Clean Energy Development Authority:
<http://www.colorado.gov/energy/utilities/clean-energy-development-authority.asp>

Commission and the Colorado Coordinated Planning Group (“CCPG”), a regional transmission study forum for the Rocky Mountain Region.⁶³The current schedule for the group is:

1. April-July 2008 ~ participate in transmission planning groups,
2. November 2008 ~ issue study plans based upon results,
3. November 2008-January 2009 ~ prepare Certificate of Public Convenience and Necessity (“CPCN”) studies,
4. March 2009 ~ file CPCN applications,
5. October 2009 ~ file transmission plans

3.5.3.3 Nevada

Renewable Energy Transmission Access Authority (“RETAAC”) was created by Executive Order⁶⁴ of the Governor of Nevada. RETAAC was created because Nevada is a net importer of energy. The purpose⁶⁵ of RETAAC is to:

1. Identify and rank commercially developable locations for renewable energy
2. Assess existing and planned transmission access to these resources
3. Make recommendations for additional transmission

RETAAC established a phased work plan. The Phase 1 Report identified: Renewable Energy Zones (“REZ”), the transmission required for access to grid, and recommended transmission lines. Future phases will include more detailed environmental review.⁶⁶

3.5.3.4 New Mexico

In March 2007, the New Mexico (“NM”) legislature created a Renewable Energy Transmission Authority (“RETA”). The purpose of RETA is to develop a renewable energy generation and export industry, increase in-state electric system infrastructure reliability, and proactively pursue statewide

⁶³ http://www.westconnect.com/planning_ccpg.php

⁶⁴ http://gov.state.nv.us/EO/2008/EO-2008-06-12_RETAACII.pdf

⁶⁵ Nevada RETAAC: <http://gov.state.nv.us/Energy/FinalReport.htm>

⁶⁶ <http://gov.state.nv.us/Energy/FinalReport/RETAAC%20Phase%20I%20Report.pdf>

electric transmission capital improvement planning and implementation. It is intended that RETA will orchestrate multi-state utility negotiations to facilitate the development of NM transmission infrastructure for renewable energy development and export,⁶⁷ and will focus on electric infrastructure planning financing and development.⁶⁸ RETA will rely on revenue from the projects it initiates, not the state's faith and credit or General Fund.

To be eligible for RETA funding, at least 30% of a transmission project's energy must be renewable derived electricity. RETA has already engaged as a participant in the SWAT subregional transmission process. RETA has also been active in the SWAT New Mexico Study Group wind collector system study.

⁶⁷ 2007 WestConnect Planning Report, page 36

⁶⁸ New Mexico Renewable Energy Transmission Authority: <http://www.nmreta.org/>

4. NATIONAL AND REGIONAL TRANSMISSION ISSUES

This section describes selected regulatory and industry activities since the 2006 BTA. Only those activities related to transmission infrastructure, transmission grid expansion at regional and subregional levels, transmission congestion, transmission reliability, and transmission rights and pricing are described. This section considers how such industry activities relate to the transmission expansion, siting and analysis in Arizona.

The US Congress adoption of the Energy Policy Act in 2005 (“EPAct 2005”) resulted in several policy and regulatory changes at the national level that effects transmission planning. In 2007, the US Department of Energy (“DOE”) and the Federal Energy Regulatory Commission (“FERC”) adopted policies and approved regulations that 1) implement mandatory national reliability standards, 2) establish nine planning principles for transmission providers, 3) designate a National Interest Electric Transmission Corridor (“NIETC”) for Southern California and Arizona, and 4) yield a draft Programmatic Environmental Impact Study (“PEIS”) for Federal Energy Corridors in eleven Western States. Planning of electric transmission systems serves as a nexus for these four national efforts.⁶⁹

4.1 Mandatory Reliability Standards

In response to EPAct 2005, FERC established rules⁷⁰ for certifying an electric reliability organization (“ERO”). On July 26, 2006 the NERC was designated as the nation’s ERO for the purpose of establishing and overseeing a system of mandatory and enforceable electric system reliability standards.

On March 16, 2007, FERC approved 83 reliability standards of the 107 which were originally proposed and directed the improvement of 56 of the approved reliability standards⁷¹. In May 2007, FERC approved over 700 Violation Risk Factors for the NERC Reliability Standards. These mandatory reliability standards apply to users, owners and operators of the bulk power system designated by NERC through its compliance registry procedures. On July 19, 2007, the Commission issued a decision denying a request for rehearing of Order 693.⁷²

⁶⁹ 2007 WestConnect Planning Report, page 29

⁷⁰ FERC Order Nos. 672 and 672-A

⁷¹ FERC Order No. 693

⁷² <http://www.ferc.gov/whats-new/comm-meet/2007/071907/E-6.pdf>

In April 2007, FERC approved NERC's *pro forma* Delegation Agreement – the blueprint for the contractual relationship between NERC and eight regional reliability entities ("RE"). The agreement includes a Compliance Monitoring and Enforcement Program to be used by NERC and regional entities to monitor, assess and enforce compliance with FERC approved mandatory reliability standards. Among the elements included in the compliance program are procedures for audits and investigation, mitigation plans and remedial actions, procedures to address settlements, complaint procedures, confidentiality requirements, penalties, and hearing and review procedures. The WECC has been authorized as one of the eight regional REs. The delegation agreement with the WECC was approved by FERC in June 2007.

On June 8, 2007, FERC approved eight proposed regional Reliability Standards for the WECC.⁷³ The regional Reliability Standards apply in the Western Interconnection in addition to the 83 mandatory NERC reliability Standards. NERC and WECC are developing revisions to existing reliability planning standards and proposing the adoption of additional planning standards.⁷⁴ These include proposed revisions to system performance standards that must be met during system planning studies and the planning process. The status of proposed revisions or new standards can be monitored on both the NERC and WECC websites.

Some transmission providers within the WestConnect planning area experienced compliance audits in 2007. Compliance with the NERC and WECC mandatory planning standards approved by FERC has been among the items audited. The mandatory reliability planning standards will continue to be a key consideration as new transmission study plans are prepared for the coming year.

4.2 FERC Siting Authority / National Interest Electric Transmission Corridor ("NIETC")

EPAct 2005 Section 1221 adds Section 216, of the Federal Power Act ("FPA"), providing for federal "backstop" siting of proposed construction or modification of electric transmission facilities under certain conditions and is located within a NIETC established by the Department of Energy.⁷⁵ On October 2, 2007, DOE issued its National Electric Transmission Congestion Report and order formally designating the

⁷³ <http://www.ferc.gov/EventCalendar/Files/20070608171203-RR07-11-000.pdf>

⁷⁴ 2007 WestConnect Planning Report, pages 29-30

⁷⁵ <http://www.ferc.gov/industries/electric/indus-act/siting.asp>

Mid-Atlantic and Southwest National Corridors.⁷⁶ The Southwest NIETC includes seven counties in Southern California and three counties in western Arizona as depicted on Exhibit 38.

The NIETC designations were effective October 5, 2007, and will remain in effect until 2019 unless DOE rescinds, renews, or extends the designation after notice and opportunity for comment. There will be Western Interconnection planning activities required to support the congestion study required of DOE every three years. It is anticipated that this will largely be addressed by the congestion analysis performed by TEPPC. A demonstration that “critical congestion” does not exist over the Southwest NIETC or that planned electric facilities effectively mitigate the DOE finding of “critical congestion” will likely be required for DOE to consider rescinding the Southwest NIETC before 2019.

On May 16, 2008, Southern California Edison submitted its initial filing with FERC⁷⁷ for the first application for a “backstop” permit to site the Palo Verde to Devers 2 500kV transmission line. The ACC had previously denied SCE’s application for a Certificate of Environmental Compatibility on June 6, 2007, in Decision No. 69638.

4.3 DOE PEIS for Federal Energy Corridors in Western States

Section 368 of EAct 2005 addresses energy right of way corridors on federal lands. It requires the Departments of Commerce, Defense, Energy and Interior to consult with each other and within 2 years:

1. Designate, under their respective authorities, corridors for energy facilities on Federal land in eleven contiguous Western States;
2. Perform any environmental reviews that may be required to complete the designation of such corridors; and
3. Incorporate the designated corridors into the relevant agency land use and resource management plans or equivalent plans.

The agencies are participating in a PEIS. In October 2007, the draft West-wide Energy Corridor PEIS⁷⁸ was issued. It evaluates potential impacts associated with the proposed action to designate

⁷⁶ Federal Register / Vol. 72, No. 193 / Friday, October 5, 2007 / Notices

⁷⁷ FERC Docket No. PT08-01.

⁷⁸ Federal Register, Vol. 72, No. 221, November 16, 2007, *Notices* Section

energy corridors on federal land in Arizona, California, Colorado, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming. The final PEIS is scheduled for release the summer of 2008, with a Record of Decision ("ROD") to be issued at least 30 days after the release of the final PEIS. The draft PEIS, maps of the proposed energy corridors and other support documents can be found on the West-wide Energy Corridor PEIS website.⁷⁹

After the issuance of a ROD, the agencies issuing the PEIS would amend their respective land use plans by designating a series of energy corridors. The energy corridors established by this process will impact the siting of future planned electric infrastructure. SWAT has taken the initiative to begin exploring new emerging electric transmission corridor needs with federal land manager agencies.^{80,81}

4.4 FERC 890 Planning Principles

In February 2007, FERC amended its regulations and the *pro forma* open access transmission tariff ("*pro forma* OATT")⁸², adopted in Order Nos. 888 and 889. This action was taken to remedy opportunities for undue discrimination and address deficiencies in the *pro forma* OATT. The final rule requires that:

1. Transmission providers participate in a coordinated, open and transparent planning process on both a local and regional level,
2. Each transmission provider's planning process meet FERC's nine planning principles, which are coordination, openness, transparency, information exchange, comparability, dispute resolution, regional coordination, economic planning studies, and cost allocation,
3. Each transmission provider must describe its planning process in its tariff, and
4. FERC allows regional differences in planning processes.

⁷⁹ <http://www.corridoreis.anl.gov/index.cfm>

⁸⁰ [SWAT Letter to US Forest Service](#), August 21, 2007

⁸¹ 2007 WestConnect Planning Report, pages 32-34

⁸² [Preventing Undue Discrimination and Preference in Transmission Service](#), Order No. 890, 72 FR 12266 (March 15, 2007), FERC Stats. & Regs. ¶ 31,241 (2007), [reh'g pending](#) (Order No. 890).

4.5 WestConnect

WestConnect is composed of electric utility companies⁸³ providing transmission services throughout the southwestern United States. Its members work collaboratively to assess stakeholder and market needs and to develop cost-effective enhancements to the western wholesale electricity market. WestConnect is committed to coordinating its work with other regional industry efforts to achieve as much consistency as possible in the Western Interconnection. A WestConnect Steering Committee is charged with the task of overseeing development and implementation of a variety of initiatives for the above stated purpose on behalf of the WestConnect members.⁸⁴

4.5.1 WestConnect Market Enhancement Initiatives

WestConnect is currently engaged in multiple market enhancement initiatives. The current initiatives are listed below. A BTA Workshop I presentation describing the status of each of these initiatives is posted on the Commission's website. These initiatives can also be monitored on an ongoing basis by subscribing to the WestConnect website newsletter.⁸⁵ The WestConnect Regional Planning initiative is most germane to the purpose of this report and is described in the following section of this report.

1. Regional Pricing Experiment - WestConnect has proposed a two year regional pricing experiment to eliminate rate pancaking for hourly non-firm transactions for participating WestConnect members. WestConnect filed a Petition for Declaratory Order with FERC seeking approval of its Regional Transmission Pricing Experiment⁸⁶ in early 2009.
2. Virtual Control Area -The goal of the Virtual Control Area Work Group ("VCAWG") is to investigate methods and technology available for coordinating control area operations to allow participating Control Areas to function as a Virtual Control Area. The VCAWG is currently in the process of joining the Northern Tier Transmission Group ("NTTG") Ace Diversity Interchange ("ADI") program with an expected confirmation date in the third quarter of 2008. The VSAWG is additionally looking at potential implementation of Contingency Reserves Sharing. Currently

⁸³ The membership of WestConnect is available at: http://www.westconnect.com/about_steeringcomm.php

⁸⁴ [2007 WestConnect Planning Report](#), page 3

⁸⁵ <http://westconnect.com/>

⁸⁶ http://www.westconnect.com/filestorage/petition_declaratory_order_wc_regional_pricing_experiment_060908.doc

there are two existing reserve sharing groups within the WestConnect planning area. Reserve sharing has historically been limited by transfer capability between control areas, but an analysis of the current potential for reserve sharing is under consideration.

3. Transmission Products - The Transmission Products Work Group ("TPWG") is to investigate tariff products for transmission services that serve needs of market participants better than the traditional firm and non-firm point-to-point and network products specified by FERC. The TPWG is currently in the early stages of assessment of potential for standardization of planning redispatch practices.
4. TTC/ATC Process - This process periodically discloses the magnitude of Total Transfer Capability ("TTC") and associated Available Transmission Capacity ("ATC") on each WestConnect members posted transmission paths. The annual TTC/ATC stakeholder workshop was held on May 21, 2008, at APS headquarters in Phoenix, Arizona to update the TTC and ATC for WestConnect members posted transmission paths. The materials presented at the Workshop indicated limited ATC on major lines into the Phoenix metropolitan and Tucson areas.⁸⁷ Exhibit 8 shows transmission paths affecting Arizona in 2008 in diagram and tabular format. The transmission path consisting of lines between Arizona and California has the largest TTC of any established path in the Western Interconnection.⁸⁸
5. Flow Based Market Initiatives - A Flow Based Market Investigation Work Group ("FBMIWG") was formed to:
 - Investigate tools available to implement flow based scheduling in the WestConnect planning area,
 - Assess the costs and benefits of the implementation of various solutions, and
 - Recommend solutions if practical

Utilities in the Western Interconnection have traditionally allocated contract path rights for the use of the transmission systems they own or operate. These rights are defined based on the specific facilities over which energy is assumed to flow. By way of contrast, the actual flow on

⁸⁷ Agenda from the meeting with hyperlink to presentations,
http://www.westconnect.com/filestorage/WC_TTC-ATC_Workshop_Agenda052108.doc

⁸⁸ 2006 Fourth BTA

the system is dictated by the physical characteristics of the transmission system and not the contract. This leads to a mismatch between the actual flows and the assumed flows. The benefits of implementing a flow based scheduling and its related processes may generally include more accurate utilization of transmission facilities, a truer signal of congestion on specific lines, and greater utilization of the grid.⁸⁹

4.5.2 Regional Transmission Planning

In May 2007 transmission providers established a WestConnect subregional planning process by signing the WestConnect Project Agreement for Subregional Transmission Planning (STP Agreement). The STP Agreement established a Planning Management Committee ("PMC") made up of one representative of each of the signatory parties. The PMC is tasked with implementation of a subregional planning process that complies with the WestConnect Planning Objectives and Procedures for Regional Planning approved by the WestConnect Steering Committee on August 24, 2006.

WestConnect subregional transmission planning is being performed by SWAT, CCPG and any other subregional transmission planning ("STP") groups that forms and makes up the WestConnect planning area. APS, SRP, SWTC, TEP, and WAPA are among the WestConnect members and SWAT participants. SWAT subcommittees and study groups have been performing studies in response to Commission ordered study requirements for the BTA. A detailed description of the SWAT study effort for this BTA is provided in the next section of this report.

Annually a WestConnect ten year integrated regional transmission plan is derived from the subregional planning groups' study effort. WestConnect Plan coordinates and assembles all ten year transmission plans across WestConnect planning area. The first WestConnect transmission plan and report was published in January of 2008 and is available on the WestConnect website.⁹⁰ An on line map of the 2007 WestConnect Transmission Plan is also available on the website.⁹¹ The ten year plans of APS, SRP, SWTC, TEP and WAPA are displayed on the WestConnect map along with the transmission providers' plans for the all or portions of the following states: Colorado, New Mexico, West Texas, Southern California Imperial Valley, northern California, and Nevada.

⁸⁹ http://www.westconnect.com/init_flowbasedmkt.php

⁹⁰ http://westconnect.com/planning_final_report.php

⁹¹ http://westconnect.com/planningmap_sm.php

Beginning in 2008 WestConnect will commence performing two types of transmission studies for its members and participating stakeholders. The first study will be an annual adequacy study of the prior year's WestConnect transmission Plan.⁹² The second will be a biennial long range study.⁹³ Both study efforts will yield information of interest to Arizona transmission providers and support their study requirements for Commission ordered BTA study work. The first Biennial Long Range Study will address transmission requirements for the entire WestConnect study area. Study plans for the WestConnect studies are attached in Appendices G and H.

4.6 SWAT Subregional Planning Group

SWAT is comprised of transmission regulators/governmental entities, transmission users, transmission owners, transmission operators and environmental entities. The goal of SWAT is to promote subregional planning in the Desert Southwest. The SWAT regional planning group includes seven main subcommittees which are overseen by the SWAT Oversight Committee. Separate web pages are provided for each of this subcommittees and the SWAT Oversight Committee on the WestConnect website.⁹⁴ SWAT subcommittees' meeting notices, notes, presentations and reports are posted on their respective web pages. The following SWAT subcommittees under the leadership of the indicated chairmen have performed study work and produced reports that are crucial to this BTA:

Table 11 SWAT Subcommittees Contributing to BTA

CRT Subcommittee – Ken Bagley
CATS-EHV Subcommittee – Gary Romero
CATS-HV Subcommittee – Joe Herrera
Renewable Energy Trans Task Force – Peter Krzykos

NM Subcommittee – Tom Duane
Short Circuit Working Group – David Wheeler
SATS Subcommittee – Ron Belval

⁹² WestConnect Annual Adequacy Study, Appendix H

⁹³ WestConnect Biennial Long Range Study, Appendix G

⁹⁴ SWAT website: http://westconnect.com/planning_swat.php

4.6.1 Colorado River Transmission Planning Group

The Colorado River Transmission subcommittee ("CRT") was formed to study the area within the geographic region straddling the Colorado River from southern Nevada to Yuma, Arizona. This study group includes the participation of: Arizona Power Authority, the Western Area Power Administration, Nevada Power Company, Southern California Edison, Imperial Irrigation District, California ISO, Los Angeles Department of Water and Power, Arizona Public Service, Salt River Project, Southwest Transmission Cooperative, Tucson Electric Power, the Central Arizona Project, and other interested Stakeholders. The CRT study group is actively engaged in its first technical study. A Harcuvar 230 kV Project interconnection with the Palo Verde to Devers No. 2 500 kV project was still in progress at the time of the BTA Workshop I. While no report is currently available, the proposed project was presented at the workshop. A description of the project is provided in Section 3 of this report.

4.6.2 Central Arizona Transmission Study – High Voltage

The Central Arizona Transmission Study – High Voltage ("CATS-HV") study group includes the following utilities: APS, SRP, TEP, SWTC, ED-3, ED-4, ED-2, WAPA and San Carlos Irrigation Project. The CATS-HV study area consists of the high voltage transmission system (115 kV through 230 kV) in Pinal County. Using a local stakeholder process, performed a study in 2007 that investigated the ability of the local system to serve the forecast load for 2016 and beyond. It performed studies and issued an original report in August of 2007 which was supplemented with an October 2007 addendum to the report that refined study results and considered the impact of the upgrade of WAPA transmission lines in Pinal County.⁹⁵ These reports have been filed with the Commission by SWAT and a presentation was given at the BTA Workshop I.

This BTA references the study reports as offering initial insights to the SIL and MLSC of Pinal County. The CATS-HV study references a total load for the State of Arizona in 2016 as 24,819 MW. The 2016 CATS-HV Study indicates that Pinal County is capable of serving 200 to 600 MW of load growth beyond that forecast for 2016. The quantity of load growth that can be accommodated beyond 2016 depends upon whether WAPA's local 115 kV lines are upgraded to 230 kV. The CATS-HV 2008 study plan is focused on considering generation development scenarios in Pinal County using a 2018 power flow base case.

⁹⁵ Impacts of Ten year Plan Transmission Projects and Sensitivity to Local Load Growth, approved August 20, 2007

4.6.3 Central Arizona Transmission Study – Extra High Voltage

The Central Arizona Transmission Study – Extra High Voltage (“CATS–EHV”) study group has the most longevity as a coordinated transmission planning forum in Arizona. Arizona transmission providers that participate in the CATS–EHV study group are APS, SRP, SWTC, TEP and WAPA. Over the past few years this SWAT study group has shouldered a large portion of the burden of performing the Commission ordered transmission studies for the BTA process.

The CATS–EHV study group performed three studies of the Arizona transmission system during 2007. Reports of each study have been filed in support of the ten year plans filed by Arizona transmission providers. The results of each study are discussed in Section 3 of this BTA report. The following studies were conducted by CATS–EHV to establish the adequacy of the ten year plans and were presented at the 2008 BTA Workshop I.⁹⁶

- Tenth Year Snap Shot Study (2016) – considers N-0, N-1 contingencies and N-1-1 analysis of the ten year planned projects.
- 2011 and 2016 RMR for the Metropolitan Phoenix Area filed with the APS Ten Year Plan.
- A Common Corridor and Extreme Contingencies study report were filed by SWAT as a confidential document.

4.6.4 Short Circuit Working Group

The SWAT Short Circuit Working Group was formed for the purpose of developing a coordinated short circuit study model of the SWAT subregional area transmission system. This study tool is needed to enable a consolidated and coordinated short circuit model that yields consistent and accurate short circuit results. The SWAT short circuit study tools and model are needed by transmission planning groups and by transmission providers performing system impact studies for proposed interconnections. A workshop was held in May 2008 and has produced a coordinated Aspen⁹⁷ based short circuit case. The case is currently out for review and comment. The new coordinated and consolidated SWAT short circuit case will be updated and revised on an on-going basis.

⁹⁶ http://www.azcc.gov/Divisions/Utilities/Electric/Biennial/2008%20BTA/SRP%20ACC_BTA_Workshop-Directed%20Work.ppt

⁹⁷ Aspen is a short circuit analysis program

4.6.5 Southeast Arizona Transmission Study

The SWAT SATS Subcommittee was formed to study the Southeastern Arizona region. The SATS study area encompasses the southeastern portion of Pinal County, southern Graham County, most of Pima and all of Cochise Counties and Santa Cruz County. The following transmission providers are participants in the study process:

Table 12 SATS Participating Transmission Providers

Arizona Public Service Company	Southwest Transmission Cooperative
Central Arizona Project	Tucson Electric Power
El Paso Electric Company	Western Area Power Administration
Public Service Company of New Mexico	US Bureau of Reclamation

Local load serving entities in the study area are also among the list of stakeholders participating in the SATS study process. These entities include Graham County Electric Cooperative, Sulphur Springs Valley Electric Cooperative, Trico Electric Cooperative, and UniSource Electric.

The primary objective of SATS is to have a 20 year transmission plan covering the SATS study area. An agreement to conduct the study as a “single system” was established as a key principle for the study. The 2007 SATS study efforts were ambitious and yielded considerable preliminary findings. Completion of the current study plan will yield a long range transmission plan for southern Arizona that will compliment the original Long Range Plan conceived for central Arizona by the original CATS study group. In the meantime the SATS study has shaped the ten year plans reported by the participating utilities for inclusion in the 2007 WestConnect Transmission Plan.⁹⁸ Several versions of a draft report are located on the WestConnect website.

The SATS Studies have also shaped the ten year transmission plans filed with the Commission in January 2008. For the first time an extensive portfolio of EHV and HV transmission plans are being filed for Southern Arizona. Many of the projects that are surfacing in the ten year plans have in-service dates that still need to be determined (“TBD”) because they are the result of a saturated load study of the area. The SWTC and TEP systems are going through major additions of facilities in the ten year period

⁹⁸ http://www.westconnect.com/filestorage/WestConnect_Planning_Report_FINAL.pdf, page 15

and need to move to completion of this coordination study effort and determine an estimate of the in-service dates of facilities that would fit within the ten year time period that is the subject of a BTA.

DRAFT

5. CONCLUSIONS

The quantity and quality of industry reports and Commission ordered BTA study results available for the BTA process has progressively increased over the past ten years. The body of reference documents and presentations available for this BTA is among the best filed with the Commission to date. The industry's commitment and focus on supplying transmission plans and associated information addressing issues and concerns of importance to the Commission is self evident. A wide range of public policy concerns regarding reliable service to Arizona have been addressed over the ten years that the BTA process has been active. The conclusions of this BTA are organized to answer four key policy questions:

- Is the existing and planned Arizona transmission system adequate to reliably meet the load serving requirements of the state during the 2008-2017 timeframe?
- Do the Reliability Must Run, N-1-1, Extreme Contingency, and Renewable Energy Transmission Assessment studies sufficiently address the Commission's concerns embodied in prior BTA ordered study requirements?
- Do the most recent transmission planning studies effectively address concerns raised in previous BTAs about the adequacy of the state's transmission system to reliably support the competitive wholesale market within Arizona?
- Are the planning processes being utilized consistent with transmission planning principles and good utility practices accepted by the power industry and the reliability planning standards established by NERC and WECC?

5.1 Adequacy of System to Reliably Serve Local Load

The existing and proposed Arizona transmission system meets the load serving requirements of the state in a reliable manner. However, plans for the last five years of the period are less well defined than those in the earlier five years. As such there are system performance issues that occasionally still need attention in the last five years. There is still sufficient time to refine the planned improvements to mitigate those concerns.

1. The 2008 level of preparedness of the three major utilities in Arizona appears to be high and above the norm. None of the concerns that have existed in prior summer preparedness Open Meetings

over the past decade were present in 2008. The current electric utility system in Arizona is adequate and, based upon the assumptions contained herein, should meet the energy needs of the state in 2008 with reliable service.

2. The simultaneous import limit ("SIL") and maximum load serving capability ("MLSC") of local load pockets is one measure of the transmission system ability to serve load reliably. The SIL and MLSC should increase over time, commensurate with the load growth. If this is not occurring then there becomes an increasing dependency upon local reliability must run ("RMR") generation. As long as the RMR generation is already economically dispatched in merit order then the system can be judged as adequate and reliable.
 - a. The existing and planned transmission systems serving the Phoenix, Santa Cruz County, Tucson, and Yuma areas are adequate and should reliably meet the local energy needs of the respective areas through 2017. This conclusion is supported by the following SIL, MLSC and RMR determinations:
 - i. The SIL and MLSC limit for the Phoenix, Santa Cruz County, Tucson, and Yuma areas increases between 2008 and 2016. These improvements are achieved by the construction of planned transmission improvements contained in this BTA.
 - ii. The 2011 and 2016 peak load forecasts for the Phoenix, Santa Cruz County, Tucson, and Yuma areas exceed each respective area's SIL capability. This implies RMR conditions will exist for these areas.
 - b. Pinal County is capable of serving 200 to 600 MW of load growth beyond that forecast for 2016. The quantity of load growth that can be accommodated beyond 2016 depends upon whether WAPA's local 115 kV lines are upgraded to 230 kV. It would be helpful for future studies of this area to establish SIL, MLSC and RMR indicators as defined by the Commission.
 - c. The adequacy level of the Mohave County system is unclear due to controverted conclusions reached in multiple publicly available study reports. It would be helpful for future studies of this area to establish SIL, MLSC and RMR indicators as defined by the Commission.
3. Santa Cruz County and Cochise County are served by radial transmission lines. Growing numbers of customers are, therefore, exposed to extended service interruptions following the loss of a single transmission line in these two counties. The ability of these two areas to restore service to

customers within a reasonable period of time following a transmission line outage has been a long standing concern of the Commission. Transmission improvements that assure “continuity of service” for loss of a single transmission line is a public policy that needs to be adopted to replace the “restoration of service” practice present in these two counties.

- a. UNSE efforts to permit and construct a second line to Santa Cruz County have stalled due to lack of a NEPA Record of Decision (“ROD”) from federal agencies and issuance of a Presidential Permit. UNSE installed a 20 MW generator in Nogales in 2004 and plans to upgrade its existing 115 kV line to 138 kV in 2013 as interim solutions to ensure the ability to restore service. However, Santa Cruz County remains exposed to service outages for all of its UNSE customers following the loss of the radial transmission line serving the county. Some of those customers will experience extended periods of service interruption for that transmission line outage. The amount of load that cannot be restored for loss of the critical transmission line section grows from 9 MW in 2008 to 36 MW in 2016. Additional transmission line improvements outlined in the UNSE Ten Year Plan for Santa Cruz County are contingent upon resolving the pending federal permitting matter.
- b. The Cochise County load, from Ft. Huachuca to Douglas, is served via four radial transmission lines. The loss of any one of these lines during summer peak could result in the inability of one or more of the load serving entities (APS, TEP, and Sulphur Springs Valley Electric Cooperative) in this area to serve their entire load. TEP cannot restore service to 6 MW of its 22 MW load for Fort Huachuca in 2008. Therefore, the Fort is seeking an emergency tie with SSVEC. APS also anticipates it may need a second 69 kV emergency tie with SSVEC within the next ten years. Both of these emergency ties with SSVEC are placing additional burden on the SSVEC 69 kV system that is no longer able to operate as a network because of radial transmission line limitations. All of these actions perpetuate a restoration of service approach to transmission line outages as opposed to continuity of service.
- c. The Fourth BTA documented that N-1 contingency violations occurred for loss of the Apache to Butterfield 230 kV line, the Butterfield to San Rafael 230 kV line, or the Pantano to Kartchner 115 kV line in the SWTC 2015 planning study. The Commission granted SWTC a time extension until January 2008 to resolve these three Cochise County N-1 contingency violations and to file expansion plans that resolve those issues as part of its 2008-2017 ten year plan. The most recently filed SWTC ten year plan proposes to loop the existing WAPA Nogales Tap to Adams 115 kV line into Pantano. This is the same line that provides service to APS in Cochise County.

SWTC also proposes a new radial 230 kV line from Sloan to Huachuca with an undetermined in-service date. Staff concludes this proposed new line is not an adequate transmission solution because it perpetuates radial transmission service and “restoration of service” practices in Cochise County through at least 2026.

5.2 Efficacy of Commission Ordered Studies

All Commission required studies have been filed. APS and TEP filed RMR studies; SRP filed SWAT studies that address N-1-1 contingencies and extreme contingency studies performed by the CATS-EHV study group, and a CATS-HV Study of Pinal County; and SRP filed a SWAT Renewable Transmission Task Force Report. The results of these studies and associated reports are discussed in detail in Section 3 of this BTA report. SWTC and TEP have also responded to the requirement that they file transmission plans and analysis addressing specific deficiencies in the 4th BTA. The following conclusions apply to the efficacy of the filed documents relative to the intent of the Commission ordered action:

1. In general the RMR studies show that each RMR area will have sufficient maximum load serving capability to reliably serve the respective area's load during the next ten year period. The RMR studies also indicate local RMR generation will not be dispatched out of merit order for significant hours or yield RMR costs sufficient to warrant advancing transmission improvements. The efficacy of each respective RMR study is as follows:
 - a. The Phoenix area, Tucson area and Yuma area RMR studies were thorough and well documented. These studies comport with the Commission's RMR study methodology and production cost simulations were performed using industry accepted study tools and publicly available data. No flaws in assumptions or modeling are evident in these three reports.
 - b. The Phoenix area study results reflect a system perspective of transmission import and RMR analysis for the Phoenix metropolitan area for all the local generation and three local transmission providers: APS, SRP and WAPA.
 - c. The focus of the Yuma area RMR study is solely based on the import to the local APS 69 kV system. There needs to be a system perspective of the RMR conditions for the entire Yuma County area in the future rather than limiting the RMR analysis solely to the APS 69 kV system. This is particularly true given that the SIL and MLSC import limits to the APS system are restricted by the overloads on other transmission providers' systems. This is underscored by the

fact that major system changes are being proposed for the area by other interconnected entities such as WAPA, WMIID, IID and parties seeking LGIA interconnections in the area.

- d. The August 7 amended Tucson area RMR report establishes that RMR conditions continue to exist in the Tucson area even as new transmission improvements occur. However, the cost of additional transmission improvements required solely to mitigate or eliminate residual RMR costs is not economically justified.
 - e. Future RMR studies for Mohave County RMR need to establish SIL, MLSC, and RMR indicators that comport with the Commission's RMR Study Methodology.
2. A Ten Year Snap Shot Study, and N-1-1 Study, and Extreme Contingency Study were performed by the CATS – EHV study group. TEP also modeled corridor outages and extreme contingencies in its RMR studies. The filed studies were thorough and well documented. The studies comport with the study effort outlined by Commission Staff. The context of the N-1-1 study for the tenth year was modified to be a special planned project N-1-1 study. These studies generally indicated the ten year plan is sufficiently robust to provide adequate and reliable service to Arizona. The following key conclusions were derived from these studies:
- a. No thermal overloads or voltage problems existed in the 2016 base case.
 - b. Only four single contingencies resulting in sixteen WAPA line overloads were unresolved by the Ten Year Snapshot study.
 - d. The N-1 analysis showed 67 buses with greater than five percent voltage deviation. The underlying transmission system is not sufficiently modeled in the case to accurately determine the actual voltage deviation resulting from an N-1 contingency in 2016. The study could not determine if these deviations were realistic or as severe as reported.
 - e. The special N-1-1 analysis removed a planned transmission project and then ran single contingency outages. This analysis is more strenuous than the WECC and NERC N-1-1 criteria. The thermal loading and voltage deviation results for these contingencies showed that all planned projects produced adverse impacts if omitted from the ten year plan. Removing the APS Raceway to Avery 230 kV project from the case is the only project that did not produce additional or increased overloads above what was found in the N-1 analysis.
 - f. TEP studied corridor outages and loss of major TEP hubs for its 2008 RMR Study. TEP's normal operating procedures include the ability to survive the studied corridor outages utilizing a Tie

g. The CATS-EHV Subcommittee studied its assigned group of extreme contingencies for 2009 and 2016. In 2009 all customer loads can be served and local Phoenix reserve requirements met for all extreme outages studied. Some outages would require generation redispatch from other available sources. Some outages would require limited local system reconfiguration to alleviate overloads. Without system reconfiguration, outages of corridors into Pinnacle Peak would require local load reduction. The 2016 outage of the Cholla-Saguaro and Coronado-Silver King 500 kV lines or the Glen Canyon to Flagstaff to Pinnacle Peak 345 kV lines causes a reduction of Phoenix import capability. A portion of the forecasted load could not be served for these 2016 corridor outages. WECC and NERC reliability standards allow load shedding schemes for such extreme contingencies.

- The SWAT Renewable Task Force is now actively engaged in technical studies that consider the conceptual renewable collector systems identified for Arizona, New Mexico and Nevada. In 2009, WestConnect will perform technical studies that consider the integration of renewable energy development throughout the entire WestConnect planning area. These two efforts will compliment and support the WGA West-wide Renewable Energy Zone study that is expected to be completed in 2010.

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upgrades are justified.”⁹⁹ The 2008 TEP RMR Study indicates that even though a Static Var Compensator was installed at Northeast Loop Substation and the Westwing to South 500 kV line was interconnected at Pinal West, the 1,950 MW 2008 SIL is still limited by voltage instability for loss of both Saguaro to Tortolita 500 kV lines. TEP also reports that its transmission import schedule ability in 2008 is also limited to 1,949 MW via the Pinal West to South 345 kV line, Saguaro to Tortolita 500 kV lines and the Springerville to Vail 345 kV lines.

5. SWTC did file a ten year plan that resolved contingency violations that occurred for loss of the Apache to Butterfield 230 kV line, the Butterfield to San Rafael 230 kV line, or the Pantano to Kartchner 115 kV line in its 2015 planning study.¹⁰⁰ The most recently filed SWTC ten year plan proposes to loop the existing WAPA Nogales Tap to Adams 115 kV line into Pantano and build a new radial 230 kV line from Sloan to Huachuca with an undetermined in-service date.

5.3 Adequacy of System to Reliably Support Wholesale Market

Regional and subregional planning studies have effectively addressed the interconnected EHV transmission that is critical to a functional interstate wholesale market. Studies indicate the existing and planned Arizona EHV system is adequate to support a robust wholesale market.

1. Six major EHV transmission projects are proposed and have been addressed in this BTA. Individually and collectively these projects will improve the opportunity for interstate commerce.
 - a. The 500 kV DC TransWest Express Project and High Plains Express Project conceptually interconnect the Desert Southwest with Wyoming.
 - b. The SunZia 500 kV Project and Diné Power Authority 500 kV Navajo Transmission Project provide additional transmission capacity between Arizona and New Mexico.
 - c. The planned 500 kV Palo Verde to Devers No. 2 Project and 500 kV Palo Verde to North Gila No. 2 Project also provide additional transmission capacity between Arizona and California.

⁹⁹ Decision No. 69389, Item 6.f, page 4

¹⁰⁰ Ibid, Item 9, page 5

2. The following ongoing planned upgrades to existing EHV facilities increases the transmission system capability to support increased interstate power transfers and provide reliable transfers within the state of Arizona.
 - a. Short term upgrades to the Palo Verde to North Gila #1 and Palo Verde to Devers #1 500 kV lines in 2006 increased Path 49 rating by 505 MW. This path is now rated at 8,055 MW
 - b. Upgrades to the Navajo to Crystal 500 kV line in 2008 and the Mead Perkins 500 kV line in 2009 will increase Path 49 rating by an additional 1,245 MW. The resulting Path 49 rating will be 9,300 MW.
 - c. Path 54 rating will increase by 400 MW in 2009 with upgrades to the 500 kV Coronado Transmission System associated with the Springerville Units 3 and 4.
 - d. The 500 kV Navajo Southern Transmission System upgrades in 2010 will increase Path 51 rating by 800 MW.
3. In addition a Seams Issues Subcommittee ("SIS") report "finds no specific seams issues that are created by MRTU or existing seams issues that are substantially worsened by MRTU implementation. Seams issues exist today, particularly between organized markets such as the California Independent System Operator ("CISO") and bilateral physical markets that dominate the Western Interconnection. The SIS will continue to monitor, evaluate and propose solutions to all regional seams issues."¹⁰¹

5.4 Suitability of Utilized Planning Processes

The state of Arizona is fortunate its transmission providers are engaged in and providing leadership to the SWAT and WestConnect subregional planning processes. These planning forums utilize an open, transparent and collaborative approach to transmission planning. Stakeholder participation has been broad based and inclusive of all parties that desire to engage in the planning process. Arizona's BTA would be impossible without access to an effective subregional transmission planning forum that dependably performs studies in support of the BTA. Arizona's transmission providers have effectively addressed all study requirements for this BTA. The following observations and conclusions indicate that minor refinements and enhancements in the subregional planning processes will continue to evolve as stakeholder needs change.

¹⁰¹ APS 2008 BTA Docket Filing, "Seams Issues Subcommittee Report of Findings – Seams Issues Evaluation-California Independent System Operator-Market Redesign and Technology Upgrade", October 4, 2007, page 2

1. This is the first BTA to address planned transmission facilities resulting from the studies being performed by the SATS Subcommittee. This accounts for the increased number of new projects filed in the 2008 SWTC and TEP ten year plans. A large number of planned TEP and SWTC projects do not have an established in-service date. The planned in-service date for SWTC and TEP projects that will occur during the ten year planning cycle need to be resolved in order for proper modeling in future power flow base cases.
2. Planning of local transmission improvements (115 kV through 230 kV) has traditionally been left to the respective transmission providers. New local transmission planning processes are now beginning to emerge that are open to stakeholders' participation:
 - a. SATS is the first SWAT Subcommittee to study and coordinate local HV and EHV transmission system plans in a common forum. This approach to subregional planning has merit and may be well suited for other local areas in Arizona.
 - b. FERC Order 890 now requires transmission providers to plan their local system via open and transparent processes that engage stakeholders in a participatory manner. This local planning approach is comparable to what SWAT and WestConnect do on a subregional basis.
3. The CRT Subcommittee is engaged in its first formal study as a SWAT Subcommittee. It is looking at the Harcuvar Project interconnection with the Palo Verde to Devers No. 2 line. It would be helpful if CRT adopted SATS subregional planning approach and addressed the local HV needs of Mohave County and Yuma County along with the EHV transmission interfaces between Arizona, Nevada, and California.

6. RECOMMENDATIONS

Concerns outlined by Staff in the above conclusions are not easily or quickly resolved.. Therefore, Staff offers the following recommendations for Commission consideration and action:

1. It is recommended that the Commission take the following proactive steps to foster refinements and improvements in subregional transmission planning forums needed and used for future BTAs:
 - a. Arizona transmission providers are to explore formation of subregional planning forums that assume the responsibility of addressing the local HV transmission import and RMR conditions in Mohave County and Yuma County. These planning forums need to offer a system perspective for all transmission providers and load serving entities interconnected within a local geographic area. Such study forums need to be compatible with and supportive of FERC Order 890 local transmission provider planning obligations.
 - b. APS is to file a Yuma RMR study with the next BTA that incorporates the plans of all entities proposing to interconnect and do business in Yuma County.
 - c. UNSE and Mohave Electric Cooperative are to file a Mohave County RMR Study with the next BTA that includes the impacts, influences, and system performance of all proposed local and EHV transmission improvements and potential generation and transmission interconnections occurring in the area.
2. It is recommended that the SWAT Renewable Transmission Task Force transmission study report and the WestConnect Long Range Planning Study report be filed with the Commission within 30 days of completion to supplement the renewable transmission assessments filed with this BTA.
3. Staff recommends that the Commission order the following action to resolve concerns unresolved by this BTA:
 - a. The SATS long range study is envisioned to be completed in 2008. This study is predominantly shaping the ten year plans filed with the Commission for SWTC and TEP. Therefore, a final report is to be filed by TEP on behalf of all SATS participants by January 2009.
 - b. TEP and SWTC are to resolve all “to be determined” (TBD) in-service dates for facilities envisioned to be constructed within the next ten years. The ten year plans filed by TEP and SWTC in January 2009 are to incorporate such resolved in-service dates. Plans that fall beyond the ten year horizon may be included in subsequent ten year plan filings but need to be identified as not occurring within the ten year horizon if a TBD date designation is used..

- c. UNSE is to perform studies and file a report of those studies for the next BTA that establishes a long range system plan for Santa Cruz County that is founded on the principle of continuity of service following a transmission line outage. Elements of that plan are to be incorporated in the UNSE ten year plan with a defined in-service date and filed with the Commission in January 2009.
- d. APS, SSVEC, and TEP are to perform collaborative studies and file a report of those studies for the next BTA that establishes a long range system plan for Cochise County that is founded on the principle of continuity of service following a transmission line outage. Relevant elements of that plan are to be incorporated in each party's respective ten year plans with a defined in-service date and filed with the Commission in January 2010.

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